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 Annual Report

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

CORPORATE CULTURE OF CHINA RE GROUP

MISSION

Diversifying economic risks
Assisting the robust development of the insurance industry

VISION

Becoming a world-class reinsurance group with outstanding expertise and eminent brand

CORE VALUES

Integrity　Expertise　Responsibility　Aspiration

BASIC AWARENESS

Risk awareness　Service awareness
Compliance awareness　Collaboration awareness

BUSINESS PHILOSOPHY

Prudence　Innovation　Openness　Mutual-benefit

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FINANCIAL HIGHLIGHTS

Highlights of financial information of the Group for the past five accounting years are extracted as below:

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

	2019	2018	**Change** (%)	2017	2016	2015
Total assets	**396,638**	340,907	**16.3**	242,800	211,207	328,993
Total liabilities	**299,660**	253,653	**18.1**	167,430	139,067	258,036
Total equity	**96,978**	87,254	**11.1**	75,370	72,140	70,957
Gross written premiums	**144,973**	122,257	**18.6**	105,336	86,677	80,434
Net profit	**6,645**	3,899	**70.4**	5,336	5,233	7,675
Net profit attributable to equity shareholders of the parent company	**6,049**	3,730	**62.2**	5,256	5,146	7,579
Earnings per share (RMB)	**0.14**	0.09	**62.2**	0.12	0.12	0.20
Net assets per share attributable to equity shareholders of the parent company (RMB)	**2.05**	1.84	**11.3**	1.75	1.68	1.65
Weighted average return on equity (%)[1]	**7.32**	4.90	**Increase of 2.42 percentage points**	7.22	7.28	12.99

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

HONOURS AND AWARDS

CHINA RE GROUP

The awarded unit	Title of the honours and awards received	Awards organisation
China Re Group	2019 Best Reinsurance Company	*Financial News*
	Influential Insurance Group of the Year	hexun.com
	Best Corporate Governance Award	*China Financial Market*
	2019 Ark Award for Gold Insurance Brand	*Securities Times*
	Most Socially Responsible Award for Hong Kong Listed Companies	gelonghui.com
	Advanced Poverty Alleviation Unit	the CPC Qinghai Province Committee and the People's Government of Qinghai Province
	First Prize of the Annual Outstanding Research Results of the Banking and Insurance Industries	the CBIRC

HONOURS AND AWARDS

CHINA RE P&C

CHINA RE LIFE

The awarded unit	Title of the honours and awards received	Awards organisation
	"Easy Fund" innovation project was granted the "Blockchain Application Innovation Outstanding Case Award" of CITE2019	Ministry of Industry and Information Technology of the PRC and Shenzhen Municipal People's Government
	Two "Outstanding Informatisation Project Award for China Insurance Industry "and "Innovative Informatisation Project Award for China Insurance Industry"	China Information Industry Association and China Financial CIO Union
	2018-2019 Outstanding Case of San Nong Inclusive Financial Service Award	Fin-Tech Innovation Alliance
China Re P&C	Outstanding Financial Bond Issuer Award	China Central Depository & Clearing Co., Ltd.
	2019 Most Innovative Insurance Company	*Financial News*
China Re Life	Breakthrough Informatisation Project Award for China Insurance Industry	China Information Industry Association and China Financial CIO Union
	Outstanding Financial Bond Issuer Award	China Central Depository & Clearing Co., Ltd.

HONOURS AND AWARDS

CHINA CONTINENT INSURANCE

CHINA RE AMC

CHINA RE UK

The awarded unit	Title of the honours and awards received	Awards organisation
China Continent Insurance	2019 "Top 500 Asian Brands"	World Brand Lab
	2019 Ark Award for Gold Insurance Brand	*Securities Times*
	Best Technology Innovative Insurance Organisation of the Year	*Financial News*
	50th of "2019 Top 100 Financial Innovation"	China Economic Net
	Best Corporate Governance of the Year	Finance.china.com.cn and *Nowadays Insurance*
	Golden Sound Award for "Best Customer Contact Centre – Customer Service" (Honorary Award 2019)	51Callcenter and Zibo Municipal People's Government
China Re AMC	2019 Ark Award for Insurance Asset Management Gold Risk Control, 2019 Ark Award for the Gold Medal Insurance Investment Team -Fixed Income Team	*Securities Times*
Huatai Insurance Agency	Beijing Integrity Enterprise	Beijing Municipal Bureau of Economy and Information Technology, Capital Civic Enhancement Committee Office and Beijing Municipal Administration for Market Regulation
China Re UK	"Tou Ying Tracker 2018" Award	China Daily and Grant Thornton

STATEMENT FROM THE CHAIRMAN

In 2019, China recorded a GDP of nearly RMB100 trillion with its per capita GDP exceeding USD10,000, and its economic growth steadily ranked among the top in the world. High-quality development became a prevailing consensus in the insurance industry. In response to the changing times trend and taking into account its own development reality, China Re Group adhered to the original strategy of serving the country and focused on the three major strategies, namely "platform operation, technology advancement and globalisation", as well as the operational strategy of "stabilising growth, adjusting structure and increasing profitability". The implementation of the "One-Three-Five" Strategy yielded fruitful results. Our operating performance improved significantly and the transformation of high-quality development had achieved remarkable results.

In 2019, the business scale of China Re Group continued to grow rapidly. The gross written premiums amounted to RMB144,973 million, representing a year-on-year increase of 18.6%, which continued to surpass the average growth rate of China's insurance industry. We continued to maintain our position as a leading domestic reinsurer, and our reinsurance gross written premiums ranked the seventh in the world. The operating performance improved significantly. Net profit attributable to equity shareholders of the parent company for the year amounted to RMB6,049 million, representing a year-on-year increase of 62.2%, and the weighted average return on equity was 7.32%. We recorded a total investment yield of 5.30%, while its net investment yield was 5.02%. The international ratings remained stable. During the Reporting Period, we maintained the Financial Strength Rating of "A (Excellent)" by A.M. Best and was rated "A" by S&P Global Ratings.

STATEMENT FROM THE CHAIRMAN

In 2019, China Re Group made new breakthroughs in serving the country's major strategies. As the first domestic commercial insurance company to sign a memorandum of understanding with relevant ministries, we set a model for the insurance industry to serve the real economy and the Belt and Road Initiative. We deeply participated in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), and had carried out in-depth cooperation with the local governments and commercial institutions in the Greater Bay Area in exploring the issuance of catastrophe bonds, launching the insurance activities concerning customs bond insurance and cross-border medical insurance products. New progress had been made in serving the modernisation of national governance systems. Our self-developed earthquake-catastrophe model, which filled the gap in this area in China, was adopted by several insurance companies for the first time; the IDI platform was launched in Beijing, Nanning and other places; the pilot programme of environmental pollution liability insurance was fully participated in; the emergency response platform for nuclear-accident damage compensation was successfully rolled out. We had achieved new milestone in serving the construction of our industry's infrastructure. We deeply participated in industry research and revision of policies and rules, such as phase 2 of the regulatory rules for the CBIRC's C-ROSS, revision of new accounting standards, reinsurance market research and preparation of the new lists of serious diseases, contributing our expertise and wisdom. New achievements had been made in serving poverty alleviation of our country. In addition to the successful poverty alleviation in Xunhua County, Qinghai Province, we focused on the anti-poverty-returning insurance and the ramen industry, and continuously upgraded the "1+1+N" targeted poverty alleviation model with China Re's own characteristics. We directly invested RMB33.24 million in poverty alleviation throughout the year. China Re Group was recognised twice as an advanced poverty alleviation unit by Qinghai Province.

In 2019, China Re Group continued to make breakthroughs in its global layout. Following the acquisition of Chaucer, the business, personnel and operations of Chaucer remained stable, and it was admitted to the "Club of GBP 1 billion" of Lloyd's in terms of underwriting capacity, which nurtured domestic innovation and formed advantages in areas such as political risk insurance and political violence insurance. China Re HK has commenced official operation, Singapore Branch was granted the life reinsurance business license, and CIC was qualified to carry out reinsurance business in the United States. "Digital China Re" had significant progress. The Group Company built up a "management cockpit" system platform, realising the real-time integration and visual display of system business data for the first time. China Re P&C and China Re Life promoted the construction of projects on data middle-platform and business middle-platform, and China Continent Insurance officially launched the "Somersault Cloud" core business system in more than 2,100 institutions nationwide, providing the underlying data and platform for development of business innovation. Technology empowered business to a greater extent. Technological breakthroughs made on the intelligent computing platform for bancassurance data, the Continent intelligent customer-service system, IDI and other platforms brought tangible performance improvements. We accelerated platform construction with continuous external cooperation. In 2019, 12 strategic cooperation agreements including those with Industrial and Commercial Bank of China Limited, and Mapfre Re were newly signed. China Re P&C cultivated new business growth points through CNIP, China Agricultural Reinsurance Pool, first piece (set) major technical equipment insurance and other platform mechanisms. China Re Life conducted in-depth cooperation with pharmaceutical health and Internet platforms to seize opportunities in the medical health insurance market. The Group held more than 20 industry forums throughout the year including the 20th Anniversary Summit of CNIP, and thus its influence was fully elevated.

STATEMENT FROM THE CHAIRMAN

In 2019, the gross written premiums from the P&C reinsurance business amounted to RMB42,679 million, representing a year-on-year increase of 47.4%. In particular, the domestic P&C reinsurance business[1] recorded gross written premiums of RMB28,723 million, representing a year-on-year increase of 15.0%. The market share continued to grow for three consecutive years, and it remained as a leading domestic reinsurer. The overseas business recorded gross written premiums of RMB14,467 million (before intra-segment elimination), representing a year-on-year increase of 248.7%. The gross written premiums from the life and health reinsurance business amounted to RMB55,526 million, with the business structure continuing to optimise and the proportion of premium income from the protection-type business increasing to 31%. The gross written premiums from the primary P&C insurance business amounted to RMB48,730 million, with the growth rate outperforming the industry average for five consecutive years. The premium income from the non-motor insurance business exceeded RMB20,000 million and its proportion increased to 42.2%. The total investment income of the asset management business amounted to RMB12,999 million, and its total investment yield was 5.30%. The investment yield continued to exceed the average level of the insurance asset management industry. The income of the insurance intermediary business amounted to RMB332 million, representing a year-on-year increase of 12.2%.

Looking forward, despite growing uncertainties of the global economy, the basic trends of China's economy will remain stable and promising in the long run. China's insurance industry is accelerating the pace of adjustment and transformation as well as the two-way opening-up. It is in the critical period of transforming its development model, optimising its product structure and transforming its growth momentum. As the Matthew Effect of the strong getting stronger becomes more apparent, the market competition will become fiercer. Policy benefits will bring about new opportunities. China is promoting structural reforms on the supply side of the economy, driving a significant increase in the insurance spending power of advanced manufacturing, digital economy and green economy; China is advancing the modernisation of governance systems and capabilities, which stimulates the vigorous demand for liability insurance and catastrophe insurance in areas such as urban management, rural revitalization and disaster and loss prevention; China is promoting regional coordinated development strategies, and thus the construction of urban agglomerations such as the Greater Bay Area and the Yangtze River Delta creates huge development space for engineering-related insurances; and China has issued the "Opinions on Promoting the Development of Commercial Insurance in the Social Services Field", which guides the development direction for comprehensive insurance products in various fields such as health and pension. Deep transformation of the industry will create a new industry pattern. The Central Economic Working Conference clearly stated that the insurance industry should focus on its main occupations and responsibilities, make use of its unique advantages of risk management, serve the real economy, prevent financial risks and stick to high-quality development; foreign-funded insurance institutions will step up investments to enhance their competitiveness in the Chinese market, while Chinese-funded insurance companies will speed up the development of overseas businesses and thus promote the deep integration of the Chinese insurance industry into the global insurance market through the two-way opening-up; and the competitive mode shifts and upgrades, and "insurance technology + service innovation" has become a new track for differentiated and systematic competition. Technology empowerment will accelerate the fostering of new momentum. Technological innovation reshapes the insurance value chain, the blockchain subverts the traditional insurance business model, the artificial intelligence is fully integrated into the entire insurance process, and the fusion of cross-border data becomes a new value growth point. Moreover, "5G + Internet of Things" triggers scene revolutions, and the superimposition of new technologies propels the shift of insurance from risk diversification to risk forestalling. The deep fusion of digital technology and insurance has become a new driving force for the transformation and upgrading of the industry, a new opportunity to tap the growth space and a new weapon to prevent and resolve risks.

Note: 1. The domestic P&C reinsurance business mentioned herein only refers to the domestic P&C reinsurance business operated by China Re P&C.

STATEMENT FROM THE CHAIRMAN

In the face of opportunities and challenges, in 2020, China Re Group will comprehensively promote the implementation of the "One-Three-Five" Strategy and the high-quality development of the Group by adhering to "platform operation, technology advancement and globalisation" as the core driving force and through implementing the operational strategy of "stabilising growth, adjusting structure, preventing risks and increasing profitability". For platform operation, we will keep pace with the development of China's overseas interests, improve institution distribution, talent cultivation and product innovation, and deepen strategic cooperation to strengthen and expand the "Belt and Road" insurance pool. We will deeply integrate in the national emergency management system to improve the industry infrastructure such as the catastrophe risk model and explore various tools for catastrophe risk diversification. We will support the healthy China strategy by facilitating the deployment of primary life insurance and health and aged care industries. We will facilitate the modernisation of national governance systems and capacities by promoting the IDI business model and making innovation for products and models such as construction safety liability insurance, environmental pollution liability insurance and commercial-operated social insurance service to assist the government in solving practical problems. We will also support the regional coordinated development strategy by actively making breakthrough to contribute to the development of the Greater Bay Area, the integrated development of the Yangtze River Delta and the construction of Xiong'an New Area. For technology advancement, we will fully upgrade the Digital China Re 2.0, improve the fundamental projects, develop the functions and applications of the three core business systems, and facilitate the construction and implementation of data middle platform and business middle platform. We will improve practical projects such as catastrophe risk model, IDI platform and banking and insurance integrated intelligent platform to create new business growth drivers through technology innovation. We will also carry out forward-looking projects such as blockchain and artificial intelligence and strengthen the cooperation with data providers and enterprises with technology advantages to achieve strategic positioning. For globalisation, we will make effective response to the trend of two-way opening-up in the insurance industry, especially the new situation emerging after the signing of phase one trade deal between China and the United States, and fully upgrade the globalized management mechanism and improve the operational support capability. We will also steadily expand the coverage of our overseas institutions and businesses, and accelerate the mutual interaction and support between Chaucer and our domestic business, thereby fully enhancing our global competitiveness.

2020 is the last year of the "13th Five-Year" plan. Being ready for a brand new start on which to build on past achievements and herald the future, China Re Group will continue to follow the "One-Three-Five" Strategy as its guidance, comprehensively and effectively serve national strategies and actively lead the innovation and upgrade in the industry through product innovation, technology leading and business model transformation, so as to achieve stable returns for shareholders, co-create value with customers, provide a platform for employees to grow and make great efforts to strive for the building of an internationally comprehensive reinsurance group with sustainable development capabilities and core competitiveness.

Yuan Linjiang
Chairman

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 business. 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 manages legacy P&C reinsurance business and CNIP business through China Re P&C, and manages the legacy life and health reinsurance business through China Re Life.

On 13 September 2018, the Company entered into an agreement with The Hanover Insurance Group, Inc. to acquire 100% equity interests in Chaucer. Chaucer mainly includes CRIH, CIC and CRAH. The Group completed the closing of the acquisition of CRIH on 28 December 2018[1], the closing of the acquisition of CIC on 14 February 2019[1] and the closing of the acquisition of CRAH on 10 April 2019[1]. Chaucer business covers reinsurance and primary insurance business. The financial statements set out in this annual 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 year ended 31 December		
	2019	2018	Change (%)
Gross written premiums	**144,973**	122,257	18.6
Gross written premiums by business segment:			
P&C reinsurance[1]	**42,679**	28,947	47.4
Life and health reinsurance[1]	**55,526**	52,454	5.9
Primary P&C insurance[1]	**48,730**	42,622	14.3
Total investment income[2]	**12,999**	8,530	52.4
Total investment yield (%)[3]	**5.30**	4.20	Increase of 1.10 percentage points
Net investment income[4]	**12,316**	10,403	18.4
Net investment yield (%)[5]	**5.02**	5.12	Decrease of 0.10 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 include life and health reinsurance business operated by China Re Life, and life and health reinsurance business managed by the Group Company through China Re Life; and

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

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

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

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

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

	As at 31 December 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	**190**	**209**	162	184
Group Company	**561**	**561**	416	416
China Re P&C	**182**	**218**	178	217
China Re Life	**179**	**213**	166	214
China Continent Insurance	**371**	**371**	434	434

In 2019, the Group adhered to the "One-Three-Five" Strategy by focusing on three strategies, namely "platform operation, technology advancement and globalisation". The implementation of the "One-Three-Five" Strategy produced fruitful results, with significant improvements in our operating performance and remarkable achievements in high-quality development.

As our business kept growing rapidly, the Group's gross written premiums recorded an increase of 18.6% from RMB122,257 million in 2018 to RMB144,973 million in 2019, of which the gross written premiums from P&C reinsurance business, life and health reinsurance business and primary P&C insurance business (before inter-segment eliminations) were RMB42,679 million, RMB55,526 million and RMB48,730 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 non-motor primary P&C insurance business and (2) the incorporation of gross written premiums from Chaucer for the first time after the acquisition.

Our business structure continued optimising, with a year-on-year growth of 25.3% for domestic non-motor insurance business of P&C reinsurance, representing an increase of 5.8 percentage points in the proportion of domestic P&C reinsurance business; a year-on-year growth of 31.9% for domestic facultative reinsurance business of P&C reinsurance, representing an increase of 0.7 percentage points in the proportion of domestic P&C reinsurance business; a year-on-year growth of 248.7% for overseas P&C reinsurance and Chaucer business, representing an increase of 19.6 percentage points in the proportion of P&C reinsurance business; a year-on-year growth of 37.4% for domestic protection-type business of life and health reinsurance, representing an increase of 7.4 percentage points in the proportion of domestic life and health reinsurance business; a year-on-year growth of 34.8% for non-motor primary P&C insurance, representing an increase of 6.5 percentage points in the proportion of primary P&C insurance business.

Our market position remained solid and we were the seventh largest reinsurance company in the world in terms of the gross written premiums of reinsurance business. 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 3.7% in primary P&C insurance business, representing a year-on-year increase of 0.1 percentage points. 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 position remaining stable.

In 2019, the Group's total investment income was RMB12,999 million, representing a year-on-year increase of 52.4%, and the net investment income was RMB12,316 million, representing a year-on-year increase of 18.4%. The year-on-year increase in our investment income was mainly due to (1) the relatively rapid growth in the scale of our total investment assets, which was mainly derived from premium cash inflows, the accumulation of investment income and the consolidation of Chaucer's investment assets; and (2) the well performance of the investment income from the investments in the public markets benefitting from the recovery of the capital market. The total investment yield was 5.30%, representing a year-on-year increase of 1.10 percentage points, and the net investment yield was 5.02%, representing a year-on-year decrease of 0.10 percentage points.

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 year ended 31 December 2019	2018	Change (%)
Gross written premiums	**144,973**	122,257	18.6
Profit before tax	**8,068**	5,085	58.7
Net profit	**6,645**	3,899	70.4
Net profit attributable to equity shareholders of the parent company	**6,049**	3,730	62.2
Earnings per share (RMB)	**0.14**	0.09	62.2
Weighted average return on equity (%) [1]	**7.32**	4.90	Increase of 2.42 percentage points

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

The net profit attributable to equity shareholders of the parent company of the Group amounted to RMB6,049 million in 2019, representing a year-on-year increase of 62.2%, which was mainly due to the year-on-year increase in investment income as well as the addition of the income from Chaucer for the period.

Unit: in RMB millions, unless otherwise stated

	As at 31 December 2019	As at 31 December 2018	Change (%)
Total assets	**396,638**	340,907	16.3
Total liabilities	**299,660**	253,653	18.1
Total equity	**96,978**	87,254	11.1
Net assets per share attributable to equity shareholders of the parent company (RMB)	**2.05**	1.84	11.3

MANAGEMENT DISCUSSION AND ANALYSIS

P&C REINSURANCE BUSINESS

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.

In 2019, we made efforts to strengthen our position as a leading domestic reinsurer. We continued to facilitate the commercial insurance business and the establishment of platforms for 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 the first piece (set)/new material comprehensive insurance, construction inherent defects insurance (IDI), short-term health insurance, catastrophe insurance, Chinese Interest Abroad projects insurance, construction surety bond insurance and customs bond insurance.

Regarding overseas business, we successfully completed the acquisition of Chaucer and smoothly progressed the integration with Chaucer. We incorporated Chaucer into the Group's overall international business management framework, defined its medium and long-term development vision, and achieved post-acquisition stability in three aspects, namely business performance, staff and operations. The integration optimised the Group's international business organisational framework, the management responsibility of China Re Syndicate 2088 was transferred to Chaucer with necessary operational consolidation. The integration also facilitated collaboration between our domestic and overseas businesses in areas such as political risk insurance, political violence insurance and the Belt and Road Initiative business, which resulted in effective synergy between our domestic and overseas businesses in terms of providing more capacity, supporting our business expansion, and optimising our risk portfolios. On one hand, we captured market development opportunities and actively expanded our business to achieve rapid business growth; on the other hand, we continued to be profit orientated and made efforts to adjust our business mix by removing certain underperforming businesses.

In 2019, gross written premiums from our P&C reinsurance segment amounted to RMB42,679 million, representing a year-on-year increase of 47.4%, accounting for 29.0% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB1,317 million, and weighted average return on equity reached 5.83%. The combined ratio was 101.30%, representing a year-on-year increase of 1.65 percentage points. Of such combined ratio, the loss ratio and expense ratio were 61.90% and 39.40% respectively, representing a year-on-year increase of 4.77 percentage points and a year-on-year decrease of 3.12 percentage points respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB28,723 million, representing a year-on-year increase of 15.0%. The combined ratio was 101.76%, representing a year-on-year increase of 2.38 percentage points. Of such combined ratio, the loss ratio and expense ratio were 61.30% and 40.46% respectively, representing a year-on-year increase of 5.47 percentage points and a year-on-year decrease of 3.09 percentage points respectively. Barring the impact of underwriting losses caused by the African swine fever, the combined ratio was 99.32%, which remained stable as compared to that of the last year.

In terms of type of reinsurance arrangement and form of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance respectively, which was generally in line with the business mix in the domestic P&C reinsurance market. Meanwhile, as a result of our proactive development, the reinsurance premium income from our facultative reinsurance business amounted to RMB1,763 million, representing a year-on-year increase of 31.9% and an increase of 0.7 percentage points in the proportion of domestic P&C reinsurance business.

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

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**26,960**	**93.9**	23,633	94.6
Facultative reinsurance	**1,763**	**6.1**	1,337	5.4
Total	**28,723**	**100.0**	24,970	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

Form of cession	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage** (%)	Amount	Percentage (%)
Proportional reinsurance	**28,341**	**98.7**	24,608	98.6
Non-proportional reinsurance	**382**	**1.3**	362	1.4
Total	**28,723**	**100.0**	24,970	100.0

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

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage** (%)	Amount	Percentage (%)
Primary	**26,967**	**93.9**	23,304	93.3
Via broker	**1,756**	**6.1**	1,666	6.7
Total	**28,723**	**100.0**	24,970	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Lines of business

As the largest domestic specialised P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, primarily including motor, agriculture, commercial and household property, liability and engineering insurance. We actively captured the opportunities brought by the transformation and development of the market and vigorously developed non-motor reinsurance business and the proportion of non-motor reinsurance business in our domestic P&C reinsurance business for the year 2019 increased by 5.8 percentage points on a year-on-year basis, resulting in a further optimised business structure. In particular, emerging businesses such as first piece (set)/new material comprehensive insurance, construction inherent defects insurance (IDI), short-term health insurance, catastrophe insurance, Chinese Interest Abroad projects insurance, construction surety bond insurance and customs bond insurance achieved groundbreaking growth, with reinsurance premium income of RMB1,254 million and a year-on-year increase of 56.1%, which further strengthened our advantages in developing the emerging business fields.

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Motor	**8,349**	**29.1**	8,705	34.9
Agriculture	**6,012**	**20.9**	3,840	15.4
Commercial and household property	**5,283**	**18.4**	4,740	19.0
Liability	**3,367**	**11.7**	2,996	12.0
Engineering	**2,115**	**7.4**	1,687	6.8
Others[1]	**3,597**	**12.5**	3,002	11.9
Total	**28,723**	**100.0**	24,970	100.0

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

Motor reinsurance. In 2019, the reinsurance premium income from motor insurance amounted to RMB8,349 million, representing a year-on-year decrease of 4.1%, mainly due to the slowdown in growth rate of motor insurance in primary insurance market, with the changes in certain customers' demand for motor reinsurance.

Agriculture reinsurance. In 2019, the reinsurance premium income from agriculture insurance amounted to RMB6,012 million, representing a year-on-year increase of 56.6%, mainly due to our solid performance in risk coverage relying on China Agricultural Reinsurance Pool (CARP), with an overall higher growth of agriculture insurance cession.

Commercial and household property reinsurance. In 2019, the reinsurance premium income from commercial and household property insurance amounted to RMB5,283 million, representing a year-on-year increase of 11.5%, mainly due to the fact that we actively captured the opportunity of rapid market development, while accomplishing impressive achievements in exploring cession of governmental pilot business of catastrophe insurance.

Liability reinsurance. In 2019, the reinsurance premium income from liability insurance amounted to RMB3,367 million, representing a year-on-year increase of 12.4%, 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 commitments to research and development and efforts in promotion of new types of liability reinsurance products.

Engineering reinsurance. In 2019, the reinsurance premium income from engineering insurance amounted to RMB2,115 million, representing a year-on-year increase of 25.4%, mainly due to the fact that we actively captured business opportunities of engineering insurance brought by infrastructure construction, enhanced our efforts in business development, expanded our business channels and increased the depth and breadth of business participation.

Clients and client services

In 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. We advanced the operational transformation through customer manager and product innovation by means of focusing on customers' needs, comprehensively enhancing our business philosophy and business model known as "customer-oriented & innovation-driven reinsurance" in areas such as product innovation, data sharing, risk pricing, technology empowerment and channel building with business preposition and beforehand service. 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 and 32% of our reinsurance contracts were entered into as a leading reinsurer. Both our coverage ratio of customers and the number of contracts entered into as a leading reinsurer ranked first in the domestic market.

Overseas P&C Reinsurance and Chaucer Business

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

In 2019, gross written premiums from our overseas P&C reinsurance and Chaucer business amounted to RMB14,467 million (before intra-segment eliminations), representing a year-on-year increase of 248.7%, mainly due to the inclusion of Chaucer business, which significantly increased the total overseas business scale. The combined ratio was 101.32%, representing a year-on-year decrease of 0.96 percentage points. Of such combined ratio, the loss ratio and expense ratio were 64.02% and 37.30% respectively, representing a year-on-year decrease of 3.38 percentage points and a year-on-year increase of 2.42 percentage points respectively.

Overseas P&C Reinsurance Business

In 2019, gross written premiums from our overseas P&C reinsurance business amounted to RMB4,853 million (before intra-segment eliminations), representing a year-on-year increase of 17.0%. The combined ratio was 104.26%, representing a year-on-year increase of 1.98 percentage points. Of such combined ratio, the loss ratio was 72.91%, representing a year-on-year increase of 5.51 percentage points, mainly due to the impact of catastrophe losses caused by typhoons in Japan; and the expense ratio was 31.35%, representing a year-on-year decrease of 3.53 percentage points, mainly due to the reduction of management expenses resulting from the transfer of China Re Syndicate 2088's management agency to Chaucer.

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

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December			
Type of business	**2019**		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**4,153**	**85.6**	3,737	90.1
Facultative reinsurance	**217**	**4.5**	66	1.6
Primary insurance	**483**	**9.9**	346	8.3
Total	**4,853**	**100.0**	4,149	100.0

In terms of lines of business, our overseas P&C reinsurance business primarily provided coverage for non-marine, specialty and liability reinsurance. Business portfolio consisted mainly of short tail business. We achieved rapid growth in specialty and non-marine reinsurance business. We also took advantage of the Lloyd's distribution channel to expand primary liability business in order to achieve better 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 year ended 31 December			
	2019		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Non-marine	**2,350**	**48.4**	1,652	39.8
Specialty	**806**	**16.6**	471	11.3
Liability	**800**	**16.5**	455	11.0
Others[1]	**897**	**18.5**	1,571	37.9
Total	**4,853**	**100.0**	4,149	100.0

Note: 1. Other lines of business includes, among others, whole account, motor, credit guarantee and agriculture reinsurance.

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

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

In terms of service ability, our quotation ability continued to improve, and our service quality received more client recognition. Leveraging our talents and professional advantages, as well as years of experience in international business operations, we were able to better serve domestic clients in the PRC by providing more products and cooperation proposals of international reinsurance practice, and exerted our advantages of the synergy between domestic and overseas business especially in response to the Belt and Road Initiative and safeguarding the overseas interests of Chinese clients.

Chaucer Business

In 2019, gross written premiums from Chaucer amounted to RMB9,614 million. The combined ratio was 99.25%[1]. Of such combined ratio, the loss ratio and expense ratio were 57.78% and 41.47% respectively. We took advantage of the opportunities provided by the increased rates in certain business areas in the year and allocated more capacity to support a steady growth in written premiums. By adhering to the profit orientation, we actively adjusted our business mix by reducing our participation in underperforming segments. The overall quality of our underwriting portfolio continued to improve. The premium of contracts led by Chaucer accounted for approximately 42% of its gross written premiums. Chaucer is one of a limited number of Lloyd's market entities with substantial contract leadership capabilities.

Note: 1. Under the British Accounting Standards, the combined ratio of Chaucer was 97.10%. The difference between the British Accounting Standards and the International Accounting Standards was mainly due to the different treatment for reserves discounting and risk margin.

In terms of type of business and lines of business, Chaucer business primarily consists of treaty reinsurance, facultative reinsurance and primary insurance. Within each of these, the treaty reinsurance business primarily provided coverage for property, specialty and liability reinsurance worldwide. The facultative reinsurance and direct insurance business primarily provided coverage for marine, space and aviation, political risk/credit, political violence, energy, property and liability insurance worldwide.

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

Unit: in RMB millions, except for percentages

Type of business	For the year ended 31 December 2019 Amount	Percentage (%)
Treaty reinsurance	2,761	28.7
Facultative reinsurance	2,723	28.3
Primary insurance	4,130	43.0
Total	**9,614**	**100.0**

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2019 Amount	Percentage (%)
Liability and political risk/credit	2,498	26.0
Marine, energy, space and aviation, nuclear	2,325	24.2
Property and political violence	1,491	15.5
Others [1]	3,300	34.3
Total	**9,614**	**100.0**

Note: 1. Other lines of business are primarily global treaty reinsurance businesses, including, among others, property treaty reinsurance, specialty treaty reinsurance and liability treaty reinsurance.

In terms of business channels, the broker channel is the main source of our business. We continued to strengthen our business relationships with major international brokers, develop further cooperation with regional brokers, and expand our own underwriting agency channels. In addition, we continued to increase our direct connection with distributors and other customers to seek to establish closer business relationships.

In terms of business advantages, we successfully used membership of Lloyd's to provide risk coverage to clients worldwide, benefiting from the strong rating and excellent brand reputation of Lloyd's as well as the international insurance licenses of Lloyd's in over 200 countries and territories. Chaucer has a highly-regarded and very experienced senior management team, with an average term in office of approximately 15 years. We deliver for clients from a deep underwriting bench with over 110 experienced underwriters with distinctive capabilities across 45 complex risk classes, including political and nuclear insurance. Chaucer has a market-leading claims team with over 100 years of claims handling experience in London Market, which efficiently handles over 9,000 claims each year. We operate an Enterprise Risk Management Framework to ensure the commercially effective management of risks in the business. The Framework comprises five components: strategy, governance, appetite, assessment and reporting. Together, these components set out the risk management internal processes, controls and responsibilities in place throughout the organisation to achieve an effective risk culture. We secured our leading position at Lloyd's in terms of premiums rankings, and entered the "£1 Billion Club" of Lloyd's in terms of underwriting capacity. We also supported the domestic business to create innovations advantages in areas of political risk and political violence insurance, etc. In addition, we take advantage of the China Re brand, excellent capital strength and Chaucer's professional expertise to accelerate the development of CIC to provide our customers with more flexible and diverse choices after Brexit.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrite global nuclear insurance business via CNIP. In 2019, our reinsurance premium income from business via the CNIP platform amounted to RMB141 million.

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December			
	2019	Of which, Chaucer business	2018	Change (%)
Gross written premiums	**42,679**	9,614	28,947	47.4
Less: premiums ceded to reinsurers and retrocessionaires	**(4,134)**	(3,227)	(962)	329.7
Net written premiums	**38,545**	6,387	27,985	37.7
Changes in unearned premium reserves	**(1,582)**	(150)	(804)	96.8
Net premiums earned	**36,963**	6,237	27,181	36.0
Reinsurance commission income	**359**	338	98	266.3
Investment income	**2,645**	391	1,747	51.4
Exchange losses, net	**(76)**	(37)	(159)	(52.2)
Other income	**171**	188	42	307.1
Total income	**40,062**	7,117	28,909	38.6
Claims and policyholders' benefits	**(22,879)**	(3,604)	(15,529)	47.3
Handling charges and commissions	**(13,447)**	(2,010)	(11,059)	21.6
Finance costs	**(568)**	(220)	(274)	107.3
Other operating and administrative expenses	**(1,964)**	(1,226)	(719)	173.2
Total benefits, claims and expenses	**(38,858)**	(7,060)	(27,581)	40.9
Share of profits of associates	**242**	–	52	365.4
Profit before tax	**1,446**	57	1,380	4.8
Income tax	**(129)**	(8)	(175)	(26.3)
Net profit	**1,317**	49	1,205	9.3

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 47.4% from RMB28,947 million in 2018 to RMB42,679 million in 2019, mainly due to the incorporation of gross written premiums from Chaucer into this segment for the first time after the acquisition of Chaucer. In addition, the increase was attributable to relatively fast growth in domestic business of agriculture, commercial property and engineering reinsurance and overseas business of commercial property, cargo and liability insurance.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 329.7% from RMB962 million in 2018 to RMB4,134 million in 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 of Chaucer, the premiums ceding ratio of which was relatively high because of how Chaucer manages risk appetite.

Investment Income

Investment income for our P&C reinsurance segment increased by 51.4% from RMB1,747 million in 2018 to RMB2,645 million in 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 47.3% from RMB15,529 million in 2018 to RMB22,879 million in 2019, mainly due to the incorporation of claims and policyholders' benefits from Chaucer into this segment for the first time after the acquisition of Chaucer. Besides, the growth in claims and policyholders' benefits of domestic and overseas business was relatively fast under the influence of catastrophic events and African swine fever.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 21.6% from RMB11,059 million in 2018 to RMB13,447 million in 2019, mainly due to the incorporation of handling charges and commissions from Chaucer into this segment for the first time after the acquisition of Chaucer. Excluding the foregoing factor, handling charges and commissions basically remained stable.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment increased by 365.4% from RMB52 million in 2018 to RMB242 million in 2019, mainly due to the increase in profits of associates in 2019.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 9.3% from RMB1,205 million in 2018 to RMB1,317 million in 2019.

LIFE AND HEALTH REINSURANCE BUSINESS

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

In 2019, China's economy continued to maintain an overall stable and upward trend. Although the economic downward pressure was intensified in the short term, the development of the life insurance industry overall was stable, accompanied by accelerating pace of transformation. We unwaveringly promoted the development of our strategies, namely platform operation, technology advancement and globalisation, and accelerated our international deployment. China Re HK has obtained approval and commenced operation at the end of 2019. To continue the achievements of our overseas business in the past decade, we deeply participated in the Belt and Road Initiative and the construction of Guangdong-Hong Kong-Macau Greater Bay Area, and provided life and health reinsurance solutions to Asia and even global markets with operations in both domestic and overseas markets. We strategically developed the protection-type reinsurance business. In particular, we continued to implement quality control and adjustment for existing business, facilitated iterative development of health insurance products based on "Product+" and "Data+" strategies, and innovated insurance products with integration of the health industry. We also maintained stable development of savings-type reinsurance business by strengthening cost control and asset-liability management. Lastly, we innovated financial reinsurance solutions and achieved stable growth with improved quality. Overall, we have a stable position in the domestic market and the 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 2019, reinsurance premium income from our life and health reinsurance segment amounted to RMB55,526 million, representing a year-on-year increase of 5.9%, accounting for 37.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB2,425 million, and weighted average return on equity reached 10.71%. In particular, reinsurance premium income from China Re Life amounted to RMB55,436 million, representing a year-on-year increase of 5.9%; total written premiums ("TWPs") amounted to RMB63,498 million (including TWPs of RMB8,062 million for savings-type non-insurance business), representing a year-on-year increase of 11.2%.

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 life and health reinsurance segment income, 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.

Business Analysis

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

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

Unit: in RMB millions, except for percentages

Business line	For the year ended 31 December 2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Domestic protection-type reinsurance	**17,049**	**30.8**	12,412	23.7
Domestic savings-type reinsurance	**3,986**	**7.2**	4,795	9.2
Domestic financial reinsurance	**29,786**	**53.7**	30,439	58.1
Domestic in total	**50,821**	**91.7**	47,646	91.0
Overseas savings-type reinsurance	**4,265**	**7.7**	4,364	8.3
Other overseas business	**350**	**0.6**	355	0.7
Overseas in total	**4,615**	**8.3**	4,719	9.0
Total	**55,436**	**100.0**	52,365	100.0

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

Unit: in RMB millions, except for percentages

Non-insurance business	For the year ended 31 December 2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Domestic savings-type non-insurance	**7,942**	**98.5**	3,971	84.1
Overseas savings-type non-insurance	**120**	**1.5**	753	15.9
Total	**8,062**	**100.0**	4,724	100.0

Domestic Life and Health Reinsurance Business

In 2019, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB50,821 million, representing a year-on-year increase of 6.7%; and the TWPs amounted to RMB58,763 million (including TWPs from savings-type non-insurance business of RMB7,942 million), representing a year-on-year increase of 13.8%.

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB17,049 million in 2019, representing a year-on-year increase of 37.4%. In particular, reinsurance premium income from the yearly renewable term reinsurance business[1] amounted to RMB9,979 million, representing a year-on-year increase of 34.2%, accounting for 58.5% 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, explored integration with the health industry and continued to consolidate development advantages in the health insurance, among which the reinsurance premium income from the mid-end medical care insurance business amounted to RMB3,813 million, representing a year-on-year increase of 75.3%. On the other hand, we actively carried out risk prevention and mitigation through experience study, product iteration, data cooperation and risk control modelling. We made significant achievements of improved business quality with the strategy of "Data + Risk Prevention and Control". The combined ratio (business management fee excluded) after retrocession of domestic short-term protection-type reinsurance business was 97.47%, representing a year-on-year decrease of 0.90 percentage points, with an underwriting profit of RMB302 million.

Note: 1. 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.

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB3,986 million in 2019, representing a year-on-year decrease of 16.9%; and the TWPs amounted to RMB11,928 million (including TWPs from savings-type non-insurance business of RMB7,942 million), representing a year-on-year increase of 36.1%. Facing the adverse situation of accelerating downward pressure on interest rates and stronger competition, we actively deepened the asset-liability collaboration mechanism, deeply explored customer needs and innovated solutions accordingly. We achieved rapid growth in TWPs with successful cost control and asset-liability management.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB29,786 million in 2019, representing a year-on-year decrease of 2.1%. We paid close attention to the changes in regulatory policies and carefully monitored the credit risk of counterparties. Also, we optimised our capital planning, existing business management and new business development. With innovative solution design and retrocession arrangements, we achieved steady development on the premise of maintaining our leading market position in the financial reinsurance business.

Overseas Life and Health Reinsurance Business

In 2019, reinsurance premium income from our overseas life and health reinsurance business amounted to RMB4,615 million, representing a year-on-year decrease of 2.2%; and the TWPs amounted to RMB4,735 million (including TWPs from savings-type non-insurance business of RMB120 million), representing a year-on-year decrease of 13.5%.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB4,265 million in 2019, representing a year-on-year decrease of 2.3%; and the TWPs amounted to RMB4,385 million (including TWPs from savings-type non-insurance business of RMB120 million), representing a year-on-year decrease of 14.3%. Under the circumstances of decreasing US interest rate and downturn of RMB insurance policies, we extensively explored the market demand, and enlarged business scale with our key clients, thereby achieved stable development in the overseas savings-type reinsurance business.

In respect of other overseas business, reinsurance premium income amounted to RMB350 million in 2019, representing a year-on-year decrease of 1.4%.

In terms of type of reinsurance arrangement and form of cession, our life and health reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, respectively.

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December			
Type of reinsurance arrangement	**2019**		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**55,126**	**99.4**	52,058	99.4
Facultative reinsurance	**310**	**0.6**	307	0.6
Total	**55,436**	**100.0**	52,365	100.0

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

Unit: in RMB millions, except for percentages

Form of cession	For the year ended 31 December 2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Proportional reinsurance	**55,384**	**99.9**	52,324	99.9
Non-proportional reinsurance	**52**	**0.1**	41	0.1
Total	**55,436**	**100.0**	52,365	100.0

Life insurance is the main line of business covered by the life and health reinsurance business. The business mix remained generally stable despite the slight decrease in the proportion of life insurance business due to the rapid year-on-year growth of the health insurance business.

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December 2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Life	**38,999**	**70.4**	40,458	77.3
Health	**13,930**	**25.1**	9,756	18.6
Accident	**2,507**	**4.5**	2,151	4.1
Total	**55,436**	**100.0**	52,365	100.0

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2019	2018	Change (%)
Gross written premiums	**55,526**	52,454	5.9
Less: premiums ceded to retrocessionaires	**(3,961)**	(5,155)	(23.2)
Net written premiums	**51,565**	47,299	9.0
Changes in unearned premium reserves	**(926)**	(1,531)	(39.5)
Net premiums earned	**50,639**	45,768	10.6
Reinsurance commission income	**568**	453	25.4
Investment income	**4,617**	3,365	37.2
Exchange losses, net	**(54)**	(58)	(6.9)
Other income	**417**	1,440	(71.0)
Total income	**56,187**	50,968	10.2
Claims and policyholders' benefits	**(49,801)**	(45,854)	8.6
Handling charges and commissions	**(2,329)**	(2,241)	3.9
Finance costs	**(376)**	(315)	19.4
Other operating and administrative expenses	**(1,733)**	(1,575)	10.0
Total benefits, claims and expenses	**(54,239)**	(49,985)	8.5
Share of profits of associates	**1,129**	919	22.9
Profit before tax	**3,077**	1,902	61.8
Income tax	**(652)**	(369)	76.7
Net profit	**2,425**	1,533	58.2

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 5.9% from RMB52,454 million in 2018 to RMB55,526 million in 2019, mainly due to the growth in the domestic protection-type reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment decreased by 23.2% from RMB5,155 million in 2018 to RMB3,961 million in 2019, mainly due to the decrease in premiums ceded to retrocessionaires from the domestic savings-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment increased by 37.2% from RMB3,365 million in 2018 to RMB4,617 million in 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 8.6% from RMB45,854 million in 2018 to RMB49,801 million in 2019, mainly due to the growth in business scale.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased by 3.9% from RMB2,241 million in 2018 to RMB2,329 million in 2019.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment increased by 22.9% from RMB919 million in 2018 to RMB1,129 million in 2019, mainly due to the increase in profits of associates in 2019.

Net Profit

As a result of the foregoing reasons, net profit for the life and health reinsurance segment increased by 58.2% from RMB1,533 million in 2018 to RMB2,425 million in 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 2019, we deepened the reform and innovation, fully promoted the implementation of the achievements of our project of turning towards online, digitisation and intelligence, and established a customer-driven comprehensive operation system. We actively dealt with the market-oriented reform of commercial motor insurance rates and enhanced quality of motor insurance business by increasing the coverage ratio of profitable products and controlling the proportion of high-risk businesses. We consistently optimised the business structure, strived 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 development through innovation, and achieved positive results in reducing costs and increasing efficiency through application of innovative technologies. Our core business system "Somersault Cloud" provided strong support for our businesses. Time required for launching new product scheme was shortened from 15 days to 0.5 day, while the time required for connecting to a third-party cooperation platform was shortened from 60 days to 7 days. We applied the AI technologies in return visits, outbound calls, customer service and other aspects, which greatly saved manpower costs. The application of OCR intelligent identification technology increased the efficiency of order entry by 50%, and significantly reduced the operational risk of commercial vehicles through the Internet of Vehicles.

In 2019, gross written premiums from our primary P&C insurance segment amounted to RMB48,730 million, representing a year-on-year increase of 14.3% and accounting for 33.2% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB48,418 million, representing a year-on-year increase of 14.2%. Net profit amounted to RMB1,681 million, and weighted average return on equity reached 6.41%. The combined ratio was 99.89%, representing a year-on-year decrease of 0.40 percentage points. Of such combined ratio, the loss ratio and expense ratio were 56.76% and 43.13% respectively, representing a year-on-year increase of 1.15 percentage points and a year-on-year decrease of 1.55 percentage points respectively. The year-on-year decrease in the combined ratio was mainly attributable to the continuous optimisation of our business structure, focus on value growth, steady increase in the proportion of non-motor insurance business and significant increase in the proportion of quality motor insurance business with steady promotion of the strategic layout.

Based on primary premium income of P&C insurance companies in the domestic market in 2019 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.7%, representing a year-on-year increase of 0.1 percentage points.

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Motor	**27,990**	**57.8**	27,241	64.3
Surety	**7,139**	**14.8**	4,993	11.8
Accident and short-term health	**6,474**	**13.4**	4,927	11.6
Liability	**2,089**	**4.3**	1,665	3.9
Cargo	**1,318**	**2.7**	949	2.2
Commercial property	**1,167**	**2.4**	1,001	2.4
Others[1]	**2,241**	**4.6**	1,619	3.8
Total	**48,418**	**100.0**	42,395	100.0

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

Motor Insurance. In 2019, primary premium income from our motor insurance amounted to RMB27,990 million, representing a year-on-year increase of 2.7%. 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.

Surety Insurance. In 2019, primary premium income from surety insurance amounted to RMB7,139 million, representing a year-on-year increase of 43.0%. We continued to develop the personal loan surety insurance business, and continuously innovated products, channels, technologies and development models. By 2019, we opened 287 stores/business outlets under the personal loan surety insurance business department covering 179 cities in 30 provinces (including autonomous regions and municipalities), with a bad debt ratio of 7.78%. 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.

Accident and Short-term Health Insurance. In 2019, primary premium income from accident and short-term health insurance amounted to RMB6,474 million, representing a year-on-year increase of 31.4%, of which primary premium income from accident insurance amounted to RMB3,540 million, representing a year-on-year increase of 17.2%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB1,934 million, representing a year-on-year increase of 32.0%; primary premium income from critical illness insurance amounted to RMB1,000 million, representing a year-on-year increase of 126.2%. We further tapped into the secondary demand of motor insurance clients. Our "Motor + Personal Accident" business and Million Medical Care business maintained rapid growth, and the business structure continued to be optimised. 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 the livelihood project businesses including supplemental accident insurance for urban and rural residents, accident insurance for the disabled, accident insurance for the poor, employee supplemental medical insurance and care insurance, so as to assume the function of insurance in serving the society.

Liability Insurance. In 2019, primary premium income from liability insurance amounted to RMB2,089 million, representing a year-on-year increase of 25.5%. We captured the insurance opportunities from the changes in government management functions, actively undertook the business from shift of 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.

Cargo Insurance. In 2019, primary premium income from cargo insurance amounted to RMB1,318 million, representing a year-on-year increase of 38.9%. On the one hand, innovative digital traffic businesses, such as the returned goods freight insurance of online shopping, maintained a relatively high growth rate. On the other hand, traditional cargo insurance acquired some good quality clients which led to steady development.

Commercial Property Insurance. In 2019, primary premium income from commercial property insurance amounted to RMB1,167 million, representing a year-on-year increase of 16.6%. 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 leading insurer or sole insurer, and enhanced the level of insurance services for strategic cooperative clients. At the same time, we focused on the smart cities relying on 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.

Analysis by Distribution Channel

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

Unit: in RMB millions, except for percentages

Business channel	For the year ended 31 December			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	**28,826**	**59.5**	26,528	62.6
Of which: Individual insurance agents	**17,098**	**35.3**	16,592	39.2
Ancillary insurance agencies	**3,454**	**7.1**	3,907	9.2
Professional insurance agencies	**8,274**	**17.1**	6,029	14.2
Direct sales	**15,710**	**32.5**	12,528	29.6
Insurance brokers	**3,882**	**8.0**	3,339	7.8
Total	**48,418**	**100.0**	42,395	100.0

Analysis by Region

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

Unit: in RMB millions, except for percentages

Region	For the year ended 31 December 2019 Amount	2019 Percentage (%)	2018 Amount	2018 Percentage (%)
Shanghai	**9,388**	**19.4**	7,092	16.7
Zhejiang	**3,763**	**7.8**	3,511	8.3
Yunnan	**3,310**	**6.8**	2,924	6.9
Shandong	**2,679**	**5.5**	3,032	7.2
Guangdong	**1,984**	**4.1**	2,500	5.9
Inner Mongolia	**1,963**	**4.1**	1,773	4.2
Jiangxi	**1,725**	**3.6**	1,381	3.3
Jiangsu	**1,583**	**3.3**	1,535	3.6
Henan	**1,477**	**3.1**	1,321	3.1
Hunan	**1,472**	**3.0**	1,274	3.0
Others	**19,074**	**39.3**	16,052	37.8
Total	**48,418**	**100.0**	42,395	100.0

Combined Ratio

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

	For the year ended 31 December 2019	2018
Loss ratio (%)	**56.76**	55.61
Expense ratio (%)[1]	**43.13**	44.68
Combined ratio (%)	**99.89**	100.29

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2019	2018	Change (%)
Gross written premiums	**48,730**	42,622	14.3
Less: premiums ceded to reinsurers	**(4,018)**	(3,509)	14.5
Net written premiums	**44,712**	39,113	14.3
Changes in unearned premium reserves	**(4,569)**	(2,788)	63.9
Net premiums earned	**40,143**	36,325	10.5
Reinsurance commission income	**1,431**	1,266	13.0
Investment income	**2,160**	1,708	26.5
Exchange gains, net	**28**	82	(65.9)
Other income	**954**	232	311.2
Total income	**44,716**	39,613	12.9
Claims and policyholders' benefits	**(22,703)**	(20,189)	12.5
Handling charges and commissions	**(5,834)**	(6,783)	(14.0)
Finance costs	**(189)**	(150)	26.0
Other operating and administrative expenses	**(14,080)**	(11,190)	25.8
Total benefits, claims and expenses	**(42,806)**	(38,312)	11.7
Share of profits of associates	**163**	8	1,937.5
Profit before tax	**2,073**	1,309	58.4
Income tax	**(392)**	(401)	(2.2)
Net profit	**1,681**	908	85.1

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 14.3% from RMB42,622 million in 2018 to RMB48,730 million in 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 14.5% from RMB3,509 million in 2018 to RMB4,018 million in 2019, mainly due to the growth in business scale which led to an increase in premiums ceded to reinsurers.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 13.0% from RMB1,266 million in 2018 to RMB1,431 million in 2019, which was basically in line with the increase in premiums ceded to reinsurers.

Investment Income

Investment income for our primary P&C insurance segment increased by 26.5% from RMB1,708 million in 2018 to RMB2,160 million in 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 12.5% from RMB20,189 million in 2018 to RMB22,703 million in 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 14.0% from RMB6,783 million in 2018 to RMB5,834 million in 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 a 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 85.1% from RMB908 million in 2018 to RMB1,681 million in 2019.

ASSET MANAGEMENT

In 2019, the international political and economic environment remained complicated. Under the influence of Sino-US trade friction, the domestic economic growth remained under pressure. However, with the effective implementation of the economic and financial policies, China's economy maintained resilience as a whole, with the financial market remaining stable, the risk-free yield remaining stable with a slight decline, and the stock market generally on the rise.

As at the end of the Reporting Period, the balance of assets under the management of the Group amounted to RMB273,808 million, of which the total investment assets balance of the Group was RMB261,833 million, representing a year-on-year increase of 14.5%; the balance of investment assets under the management of China Re AMC was RMB225,672 million.

Investment Portfolio

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

Unit: in RMB millions, except for percentages

Investment assets	As at 31 December 2019		As at 31 December 2018[5]	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	**20,262**	**7.7**	13,231	5.8
Fixed-income investments	**182,555**	**69.7**	166,002	72.5
Time deposits	**3,907**	**1.5**	4,409	1.9
Bonds	**113,658**	**43.4**	99,898	43.7
Government bonds	**8,972**	**3.5**	6,441	2.8
Financial bonds	**19,723**	**7.5**	13,878	6.1
Enterprise (corporate) bonds	**75,729**	**28.9**	70,368	30.8
Subordinated bonds	**9,234**	**3.5**	9,211	4.0
Investments classified as loans and receivables	**43,727**	**16.7**	41,065	17.9
Other fixed-income investments[1]	**21,263**	**8.1**	20,630	9.0
Equity and investment funds	**48,139**	**18.4**	37,199	16.3
Investment funds[2]	**21,565**	**8.3**	17,740	7.8
Stocks	**18,589**	**7.1**	11,575	5.1
Embedded derivatives	**40**	**0.0**[6]	226	0.1
Unlisted equity shares[3]	**7,945**	**3.0**	7,658	3.3
Other investments	**32,365**	**12.4**	26,416	11.6
Investments in associates	**24,062**	**9.2**	21,186	9.3
Others[4]	**8,303**	**3.2**	5,230	2.3
Less: securities sold under agreements to repurchase	**(21,488)**	**(8.2)**	(14,194)	(6.2)
Total investment assets	**261,833**	**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 money market 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 and 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.

6. The data shown herein is a result of rounding, and the actual number is 0.015%.

In terms of investment management, we insisted on the philosophy of value investment and long-term investment, actively made market analysis, and continued to optimise the asset allocation structure. Fixed income made great efforts to play the role of revenue “ballast”. We proactively captured the allocation opportunities in the bond market, actively explored for product innovation, increased the allocation of high-grade assets, such as local government bonds, policy bank bonds and high grade financial products, moderately extended durations and further secured stable sources of income. For equity investment, we adjusted the allocation proportion of equity assets dynamically, moderately increased the proportion of secondary market equity, optimised our shareholding structure, deeply explored for the products with long-term investment value and higher dividend yield for long-term investment, and lowered the volatility of equity investment portfolio. We adhered to the sound and prudent philosophy for alternative investment and exerted its project developing capabilities, significantly sparked the synergy between the primary and secondary market, and the collaboration between investment and insurance.

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

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

On 23 June 2016, China Re AMC initiated to establish China Re - Bairong World Trade Center Real Estate Debt Investment Scheme with a term of 11 years. The subscription amount by China Re P&C, China Re Life and China Continent Insurance was RMB8,000 million in total. A principal of RMB1,540 million in total for such scheme was repaid on 27 June 2017, 27 June 2018, 27 June 2019, 29 July 2019 and 20 December 2019, respectively.

In 2019, China Everbright Bank recorded favourable growth in revenue and the profit growth was 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 2019, Great Wall Asset continued to develop the non-performing asset acquisition and management business and developed target customers on a recurring basis. 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 strive to create returns for its shareholders.

On 15 December 2018, China Continent Insurance entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd., to acquire a property from the latter at a consideration of approximately RMB3,085 million, payable in cash. The property 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, 90% of the transaction price of the project has been paid, amounting to RMB2,777 million in total. The project is now completed and delivered.

Investment Performance

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

Unit: in RMB millions, except for percentages

Investment income	For the year ended 31 December	
	2019	2018
Cash and fixed-income investments	**8,700**	7,790
Interest income	**8,693**	7,722
Realised gains	**112**	38
Unrealised gains	**21**	30
Impairment losses	**(126)**	–
Equity and investment funds	**1,917**	(495)
Dividend income	**1,342**	980
Realised gains/(losses)	**329**	(603)
Unrealised gains/(losses)	**710**	(174)
Impairment losses	**(464)**	(698)
Other investments	**2,839**	1,903
Total investment income from investment in associates	**2,561**	1,915
Other gains/(losses)[1]	**278**	(12)
Less: interest expenses on securities sold under agreements to repurchase	**(457)**	(668)
Total investment income[2]	**12,999**	8,530
Total investment yield (%)[2]	**5.30**	4.20
Net investment income[3]	**12,316**	10,403
Net investment yield (%)[3]	**5.02**	5.12

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

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

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

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

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

In 2019, the Group's total investment income was RMB12,999 million, representing a year-on-year increase of 52.4%, and the net investment income was RMB12,316 million, representing a year-on-year increase of 18.4%. The increase in our investment income was mainly due to (1) the relatively rapid growth in the scale of our total investment assets, which was mainly derived from premium cash inflows, the accumulation of investment income and the consolidation of Chaucer's investment assets; and (2) the well performance of the investment income from the investments in the public markets benefitting from the recovery of the capital market. The total investment yield was 5.30%, representing a year-on-year increase of 1.10 percentage points, and the net investment yield was 5.02%, representing a year-on-year decrease of 0.10 percentage points.

INSURANCE INTERMEDIARY BUSINESS

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and its subsidiary, Huatai Surveyors & Adjusters Company Limited. In 2019, under the increasingly fierce competition in the insurance intermediary market, we focused on the general development strategy of "market-oriented development, institutionalised management and professional service", continuously promoted the "Going Outward" 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 momentum.

In 2019, revenue from insurance intermediary business amounted to RMB332 million, representing a year-on-year increase of 12.2%. Profit before tax amounted to RMB1.83 million, representing a year-on-year increase of 15.8%.

Solvency

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

Unit: in RMB millions, except for percentages

	31 December 2019	31 December 2018	Change (%)
China Re Group			
Core capital	**88,316**	66,377	33.1
Available capital	**97,311**	75,373	29.1
Minimum capital	**46,579**	40,946	13.8
Core solvency adequacy ratio (%)	**190**	162	Increase of 28 percentage points
Aggregated solvency adequacy ratio (%)	**209**	184	Increase of 25 percentage points
Group Company			
Core capital	**72,497**	56,761	27.7
Available capital	**72,497**	56,761	27.7
Minimum capital	**12,917**	13,639	(5.3)
Core solvency adequacy ratio (%)	**561**	416	Increase of 145 percentage points
Aggregated solvency adequacy ratio (%)	**561**	416	Increase of 145 percentage points
China Re P&C			
Core capital	**20,084**	18,608	7.9
Available capital	**24,083**	22,607	6.5
Minimum capital	**11,025**	10,429	5.7
Core solvency adequacy ratio (%)	**182**	178	Increase of 4 percentage points
Aggregated solvency adequacy ratio (%)	**218**	217	Increase of 1 percentage point
China Re Life			
Core capital	**26,253**	17,021	54.2
Available capital	**31,250**	22,018	41.9
Minimum capital	**14,691**	10,278	42.9
Core solvency adequacy ratio (%)	**179**	166	Increase of 13 percentage points
Aggregated solvency adequacy ratio (%)	**213**	214	Decrease of 1 percentage point
China Continent Insurance			
Core capital	**26,226**	24,392	7.5
Available capital	**26,226**	24,392	7.5
Minimum capital	**7,063**	5,626	25.5
Core solvency adequacy ratio (%)	**371**	434	Decrease of 63 percentage points
Aggregated solvency adequacy ratio (%)	**371**	434	Decrease of 63 percentage points

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

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

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

As at the end of the Reporting Period, the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group were all in compliance with the regulatory requirement regarding their respective solvency. Compared with the end of 2018, the consolidated solvency adequacy ratio of China Re Group increased to a certain extent, mainly due to the 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 retrocession arrangement within the Group resulting in release of capital. The solvency adequacy ratio of China Re P&C and China Re Life generally remained stable and that of China Continent Insurance decreased, mainly due to business expansion.

According to the requirements of The Solvency Regulatory Rules (Nos. 1-17) for Insurance Companies (《保險公司償付能力監管規則(1-17號)》) issued by the former CIRC, the "Summary of Solvency Reports" as of the end of the fourth quarter of 2019 of the Group Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, will be disclosed on their official websites respectively and the website of Insurance Association of China in due course. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Reports as of the end of the fourth quarter of 2019:

Unit: in RMB millions

Indicators \ Entities	Group Company	China Re P&C	China Re Life	China Continent Insurance
As at 31 December 2019				
Net assets	59,332	20,123	17,437	27,360
For the year ended 31 December 2019				
Insurance income	1,578	31,442	55,436	48,730
Net profit	2,665	997	2,133	1,706

Note: 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.

For viewing of the Summary of Solvency Report for the fourth 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 Insurance Association of China at http://www.iachina.cn for enquiries.

EXCHANGE RATE FLUCTUATION RISK

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars 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 31 December 2019, the Group held currency swaps of RMB411 million (31 December 2018: RMB175 million).

DETAILS OF ASSETS CHARGED AND BANK BORROWINGS

As at 31 December 2019, the bonds with carrying amount of RMB26,421 million (31 December 2018: RMB22,823 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 31 December 2019, the Group held an unsecured short-term borrowing of GBP75 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year; and unsecured short-term borrowings of RMB30 million and RMB15 million with a coupon rate of 4.5% and 8.5%, respectively, which will be repayable within one year.

As at 31 December 2019, the Group held a long-term borrowing of USD550 million with a coupon rate of 4.7%, and the term is 60 months.

CONTINGENCIES

As at 31 December 2019, the Group had issued the following guarantees:

As at 31 December 2019, the Group Company provided maritime guarantee of RMB2,937 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 31 December 2019, the Group 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 31 December 2019, CRIH provided letter of credit to Lloyd's to support Syndicate 1084 and Syndicate 1176's underwriting business of GBP300 million (31 December 2018: GBP275 million).

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 58 to the financial statements do not constitute the connected transactions under the Hong Kong Listing Rules. Therefore, they do not need to comply with the requirements of reporting, announcement or independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Use of Proceeds

The Company's shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on 26 October 2015. The total proceeds from the initial public offering (including the partial exercise of the over-allotment option as stated in the Prospectus) amounted to approximately HKD16,392 million. As of 31 December 2019, the invested proceeds from the initial public offering of the Company amounted to HKD10,044 million, of which:

(1) HKD7,600 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 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, HKD433 million was utilised for the capital increase of the overseas branches of the Company.

As of the end of the Reporting Period, the balance of the proceeds from the Company's initial public offering amounted to HKD6,348 million, of which: SGD20 million was proposed to be used for the continuous increase of registered working capital of Singapore Branch, which has been approved by regulatory authorities; and the remaining proceeds will be utilised in accordance with the purposes as disclosed in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Other Major Events

During the Reporting Period, the establishment of China Re HK, a wholly-owned subsidiary of China Re Life, a subsidiary of the Company, was approved by the CBIRC and it has been authorised by Hong Kong Insurance Authority to carry on insurance business in or from Hong Kong. Such company was registered in Hong Kong with a registered capital of HKD2 billion and is mainly engaged in life and health reinsurance business. The establishment of China Re HK was a major initiative for the Group to promote its international strategic layout.

During the Reporting Period, our Singapore Branch increased its registered working capital by SGD75 million to support its business development. As at the end of the Reporting Period, our Singapore Branch was approved by the Monetary Authority of Singapore to operate life insurance reinsurance business. Since then, our Singapore Branch has been able to operate both property insurance and life insurance reinsurance business to realise the balanced development of these two types of business.

Important Events Since the End of the Financial Year

The COVID-19 pandemic has spread worldwide so far. With an initial assessment, the Group considers that the COVID-19 will have a certain impact on the business development, capital utilisation and customer service of the Group in the short term. Up to the Latest Practicable Date, the Group has not been able to accurately assess the specific amount of the impact. The Group will continue to pay close attention to the development of the COVID-19 and take corresponding countermeasures.

PROSPECTS

Market Environment

Looking ahead to 2020, China's economy is expected to maintain a stable development, characterised with the upgrading and transformation of traditional industries and prosperity of emerging industries. The insurance industry will return to its roots, optimise its structure, shift its focus onto the real economy, maintain proper prudence against financial risks, and enjoy a favourable trend of development in the long term. The insurance industry will be further opened up, while the market competition becoming increasingly fierce. Technological changes will be deeply integrated with insurance, and new technologies will improve the role of insurance in customer service, product development, loss prevention and risk mitigation, while promoting the restructuring, transformation and upgrading of the industrial ecosystem.

In the primary P&C insurance market, it is expected that the industry's growth driver and focus will continue to shift faster to non-motor insurance. Following the implementation of the comprehensive reform for motor insurance, the motor insurance market will experience slow growth in premium volume with operational differentiation among market entities. Further development of non-motor insurance business will remain to be driven by key factors such as policy support, financial subsidy and consumption upgrade. Agriculture insurance, liability insurance, health insurance and surety insurance will maintain high growth momentum.

For the primary life and health insurance market, the life insurance industry should be able to maintain a favourable trend in the long term with transformation and development, refocusing on protection function and strengthening supply-side reform of products and services. As a result, there are growing trends in product innovation and upgrade, service integration, interaction of online and offline channels, and increasing investment in insurtech. In 2019, China recorded GDP of nearly RMB100 trillion with GDP per capita exceeding USD10,000. The Executive Meeting of the State Council issued the Opinions on Facilitating the Development of Commercial Insurance in Social Service Sector (《關於促進社會服務領域商業保險發展的意見》). The insurance regulator depicted a picture of RMB2 trillion of health insurance volume and RMB6 trillion of pension reserves by the end of 2025. Due to the outbreak of COVID-19 pandemic at the beginning of 2020, the traditional channel and the insurance promotion campaign at the year beginning were adversely affected. The pandemic outbreak is going to accelerate the transformational development of the industry by further motivating the demand for health insurance and raising the importance of online technology application and digital transformation.

For the P&C reinsurance market, comprehensive reform for motor insurance will be carried out in the primary insurance market in near term, and the non-motor insurance business will maintain rapid growth, which will continue to facilitate the transformation and adjustment of the domestic P&C reinsurance market. The proportion of non-motor insurance businesses will further increase. Reinsurance businesses from agriculture insurance, liability insurance and accident and short-term health insurance are expected to maintain rapid growth; innovative businesses such as construction quality inherent defects insurance (IDI), catastrophe insurance and insurance business for the Belt and Road Initiative will maintain fast growth. Reinsurance will make more contributions in supporting the real economy, and risk management and innovation capabilities will become increasingly more important in market competition. Affected by a series of catastrophic events in recent years and other factors, the reinsurance rates of overseas P&C insurance market will generally remain stable, and it is expected to experience an upward trend in certain areas and certain types of insurance.

For the life and health reinsurance market, ceding demand for domestic health insurance will remain robust, and the integration of products and services will continue to be popular. Insurtech and service innovation will become a new competition focus for the protection-type business. Under the environment of low interest rates and with the implementation of the C-ROSS Phase II project, the demand of savings-type reinsurance and financial reinsurance business will remain stable, and the number of market participants will continue to increase, which will further intensify the market competition. For overseas markets, due to the great uncertainty in the exchange rate of RMB, the RMB-denominated policies in Hong Kong are expected to remain sluggish while foreign currency denominated business may embrace certain development opportunities.

For development of capital markets and the deployment of insurance funds, the global economy is under profound adjustments in 2020. Affected by the COVID-19 pandemic, China's economy is facing huge downward pressure in the short-term, and the replacement of old macroeconomic growth drivers with the new ones will continue, with the supply-side structural reform of the financial sector further deepening. During the transformation, the release of credit risks and the disturbance of risk appetite will remain the important factors affecting the performance of capital markets. Under the environment of low interest rates, as well as the complicated economic and financial situation, the assets and liabilities matching of insurance funds will remain under pressure, bringing challenges to insurance asset allocation and investment. It is critical to leverage strength on operation of insurance funds, tactic assets allocation ability, and integration of medium- and long-term vision with short-term strategies, along with the concept of long-term investment and value investment.

Outlook of China Re Group

China Re Group will adhere to the three major strategies of "platform operation, technology advancement and globalisation", implement the operational strategy of "stabilising growth, adjusting structure, controlling risks and increasing profitability" and endeavour to achieve the goals of the "13th Five-Year" Plan toward the general tone of making progress while ensuring stability, thereby fully propelling the high-quality development of the Group to a new level.

For the P&C reinsurance business, we will continue to facilitate the transformation and upgrading of our operating model, diversify our product offering and optimise the customer service system. We will strengthen our advantages in traditional businesses, continuously improve the innovation mechanism, expand the business deployment in emerging fields, and put effort in creating new business growth drivers. We will also strengthen the collaboration within the Group and between domestic and overseas business, increase external cooperation, establish a development ecosystem and enhance our core competitiveness. We will adhere to being customer-centric and improve our customer service standard and quality by promoting demand oriented and customised service solutions. We will also facilitate the in-depth integration of overseas business and establish an integrated platform of international business to support the high-quality development of overseas business. We will accelerate the digital transformation, continuously facilitate the technology upgrade of catastrophe modelling framework and promote its commercial application, and accelerate the implementation of artificial intelligence and blockchain technology in trading.

For the life and health reinsurance business, we will actively seize the policy opportunities and endeavour to achieve high-quality business development. In regard to the protection-type reinsurance business, we will continue to focus on the "Data +" and "Product +" strategies, expand business scale, optimise product structure, improve profitability and efficiency, and drive product innovation and upgrade. We will further integrate our business with new diagnosis and treatment methods, new medicines and new medical devices. Also, we will continue to strengthen risk prevention and management to ensure sustainable development. In regard to the savings-type reinsurance business, we will strictly control the transaction cost, enhance the asset-liability management, utilise our advantages of "(domestic and overseas) dual-markets" and "(business and investment) dual-platforms" to strengthen the collaborative development of both domestic and overseas markets. In regard to the financial reinsurance business, we will meet our customer need with innovative solutions. We will manage the existing business and develop new business on the purpose of capital optimisation under the principles of risk control and priority to efficiency.

For the primary P&C insurance business, we will continuously optimise product structure, facilitate development, and further consolidate our market position. In respect of the motor insurance, we will continuously put efforts in the technology empowerment and refined management, optimise the renewal and claims process, improve the business quality and strengthen the cost management and control to achieve high-quality development of motor insurance business. In respect of the non-motor insurance, we will seize the right timing of non-motor insurance favourable 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 online operation, digitisation and intelligent technology application, strengthen the abilities of technology innovation and application and facilitate transformation, so as to build a brand new model for customer management.

For the asset management business, we will continue to follow the orientation of internationalisation, marketisation and professionalisation to further enhance our investment management capabilities. We will continue to adhere to a steady and prudent investment concept and strengthen our judgement on the key factors such as the economic situation, market environment and interest rate trends, aiming to achieve more forward-looking and effective asset allocation. We will attach great importance to risk management, further increase our awareness of proactive risk management and continuously conduct comprehensive risk management to achieve more forward-looking, targeted and effective risk management. We will strengthen the collaboration among different investment functions of the system, tap into the potential of business synergy with the main insurance businesses and make due efforts to develop third-party business to support the high-quality development of China Re Group.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Month and Year of Birth	Position	Date of Appointment
Yuan Linjiang	December 1963	Executive Director, Chairman	May 2016
He Chunlei	April 1965	Executive Director, Vice Chairman	Executive Director since February 2017, Vice Chairman since September 2018
Ren Xiaobing	July 1967	Executive Director	August 2012
Lu Xiuli	May 1964	Non-executive Director	December 2014
Wen Ning	July 1962	Non-executive Director	May 2019
Wang Xiaoya	November 1964	Non-executive Director	August 2019
Liu Xiaopeng	July 1975	Non-executive Director	November 2019
Hao Yansu	July 1958	Independent Non-executive Director	December 2014
Li Sanxi	March 1964	Independent Non-executive Director	December 2014
Mok Kam Sheung	December 1959	Independent Non-executive Director	August 2015
Jiang Bo	December 1955	Independent Non-executive Director	December 2018

Notes:
1. On 28 March 2019, the shareholders' general meeting of the Company approved Mr. Shen Shuhai's ceasing to be a non-executive Director of the Company, effective from the date of the official performance of Mr. Wen Ning's non-executive directorship of the fourth session of the Board on 14 May 2019.
2. On 28 March 2019, the shareholders' general meeting of the Company elected Mr. Wen Ning as a non-executive Director of the fourth session of the Board of the Company, effective from 14 May 2019.
3. On 21 June 2019, the shareholders' general meeting of the Company elected Ms. Wang Xiaoya as a non-executive Director of the fourth session of the Board of the Company, effective from 7 August 2019.
4. On 21 October 2019, the shareholders' general meeting of the Company elected Mr. Liu Xiaopeng as a non-executive Director of the fourth session of the Board of the Company, effective from 21 November 2019.
5. For details of Directors' positions in the specialised committees of the Board, please refer to the section headed "Corporate Governance Report" in this annual report.

Supervisors

Name	Month and Year of Birth	Position	Date of Appointment
Zhang Hong	September 1964	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	February 2017
Zhu Yong	June 1969	Shareholder Representative Supervisor	December 2014
Zeng Cheng	July 1980	Shareholder Representative Supervisor	July 2018
Qin Yueguang	October 1976	Employee Representative Supervisor	June 2018
Li Jingye	February 1972	Employee Representative Supervisor	June 2018

Senior Management

Name	Month and Year of Birth	Position	Date of Appointment
He Chunlei	April 1965	President	President since September 2018
Ren Xiaobing	July 1967	Vice President, Compliance Controller, Chief Risk Officer	Vice President since August 2012, Compliance Controller since June 2015, Chief Risk Officer since January 2017
Liu Tianyang	February 1961	Audit Controller	May 2013
Tian Meipan	October 1974	Chief Actuary	December 2012
Zhu Xiaoyun	August 1975	Board Secretary, Joint Company Secretary	Joint Company Secretary since April 2017, Board Secretary since June 2017

Notes: 1. Ms. Zhang Xiaohong ceased to serve as Assistant to the President of the Company since January 2019.

2. Mr. Zhao Wei ceased to serve as Vice President and Chief Financial Officer of the Company since June 2019.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

Directors

Executive Directors

Mr. Yuan Linjiang (袁臨江), is an executive Director and the Chairman of the Company. He is an economist. Before joining the Company, Mr. Yuan had served as the vice president and chief risk officer of Beijing Branch, and the president of Chongqing Branch of China Everbright Bank Company Limited; a non-executive director of Agricultural Bank of China; the deputy director of the general department (in charge of daily operation), the director of the integrated management department and the second banking institution management department of Central Huijin. He served as the general manager and senior managing director of CIC International (Hong Kong) Co., Ltd. Mr. Yuan joined the Company in March 2016. He has been an executive Director and the Chairman of the Company since May 2016. He is a director and the chairman of the board of directors of China Continent Insurance, a director and the chairman of the board of directors of China Re AMC and the chairman of CNIP. Mr. Yuan obtained a bachelor's degree of economics in business economics from Jiangxi Institute of Finance and Economics (currently known as Jiangxi Finance and Economics University) and a degree of Executive Master of Business Administration from Renmin University of China.

Mr. He Chunlei (和春雷), is an executive Director, the Vice Chairman and the President of the Company. Before joining the Company, Mr. He had served in the Economic Research Institute of the Academy of Social Sciences of Shaanxi Province, and the post doctoral programme of Economics of the Chinese Academy of Social Sciences. Mr. He had served as the deputy general manager of China Continent Insurance, the vice chairman of the board of directors and the general manager of China Re P&C, the chief executive officer of the international P&C reinsurance business of the Company, a director and the chairman of the board of directors of China Continent Insurance, the Vice President and the Executive Vice President of the Company (assuming the role of the President), and a director of China Re AMC. Mr. He has been an executive Director of the Company since February 2017 and the Vice Chairman and the President of the Company since September 2018; he is also currently a director and the chairman of the board of directors of China Re P&C, and a director and the chairman of the board of directors of China Re Life. Mr. He obtained a bachelor's degree in political economics from Northwest College of Political Science and Law (currently known as Northwest University of Political Science and Law), a master's degree in political economics from Northwest University and a doctoral degree in economics from the Chinese Academy of Social Sciences.

Mr. Ren Xiaobing (任小兵), is an executive Director, the Vice President, the Compliance Controller and the Chief Risk Officer of the Company. Before joining the Company, Mr. Ren served in the People's Bank of China and the former CIRC successively. He served as the vice president and the chief underwriter of Sinosafe General Insurance Co., Ltd., a director of the Company appointed by Central Huijin, and meanwhile, the director of the insurance equity management division of the non-banking department, the deputy director of the insurance institutions management department of Central Huijin, and the chairman of the board of supervisors of China Re AMC. Mr. Ren has been an executive Director and the Vice President of the Company since August 2012, the Compliance Controller of the Company since June 2015, and the Chief Risk Officer of the Company since January 2017. Mr. Ren obtained a bachelor's degree of economics in insurance and a certificate of post-graduate study in finance (insurance) from Nankai University.

Non-executive Directors

Ms. Lu Xiuli (路秀麗), is a non-executive Director of the Company. She is a senior auditor and a certified public accountant (non-practising member) in the PRC. Ms. Lu had served at the department of finance audit of the NAO, where she served as the deputy divisional director, the divisional director and the deputy-departmental level auditor. Ms. Lu has been a non-executive Director of the Company since December 2014. Ms. Lu obtained a bachelor's degree in finance and a master's degree in international finance from Renmin University of China.

Mr. Wen Ning (溫寧), is a non-executive Director of the Company. He is a senior accountant and a university graduate. He had served as a senior staff member, a principal staff member, the deputy division director, the division director and the office director of the Shandong Regulatory Bureau of the Ministry of Finance, and a member of the party leadership group and the deputy director of the Anhui Regulatory Bureau of the Ministry of Finance. Mr. Wen has been a non-executive Director of the Company since May 2019.

Ms. Wang Xiaoya (汪小亞), is a non-executive Director of the Company and a research fellow. Ms. Wang had served as a member of the Post-doctoral Academic Committee, and a post-doctoral co-mentor at the Research Institute of Finance of the People's Bank of China ("PBOC"); deputy chief and chief of the Macroeconomic Analysis Division of the Research Bureau , and deputy director of the Research Bureau of the PBOC (during which period she served as a secondment deputy mayor of Tongliao City in the Inner Mongolia Autonomous Region); a non-executive director of Industrial and Commercial Bank of China Limited. Ms. Wang has been a non-executive director of Bank of China Limited since August 2017, and a non-executive Director of the Company since August 2019. She is currently a member of the Academic Committee of the China Institute for Rural Studies of Tsinghua University, an invited researcher of the National Institute of Financial Research of Tsinghua University, a doctoral supervisor of Southwestern University of Finance and Economics and an invited professor of the Graduate School of the Chinese Academy of Social Sciences. Ms. Wang obtained a master's degree in economics from Central China Normal University and a doctorate in macroeconomics from the Graduate School of the Chinese Academy of Social Sciences.

Mr. Liu Xiaopeng (劉曉鵬), is a non-executive Director of the Company and a senior economist. Mr. Liu served as the vice division chief of the department of financial assets management of State Grid Corporation of China; the general manager of the investment management department, the assistant to the general manager and the general manager of the department of development and planning of State Grid Yingda International Holdings Co., Ltd.; a member of the party leadership group, the deputy general manager and the secretary to the board of directors of China Power Finance Co., Ltd.; the deputy director general of the global energy interconnection office of State Grid Corporation of China and the Global Energy Interconnection Development and Cooperation Organisation; the director of the strategic operations of Gome Holdings Group Company Limited; an executive director and the CEO of Gome Finance Technology Co., Ltd. Mr. Liu has been a non-executive Director of the Company since November 2019. Mr. Liu obtained a bachelor's degree in technological economics from Tianjin University and a doctoral degree in world economics from Nankai University.

Independent Non-executive Directors

Mr. Hao Yansu (郝演蘇), is an independent non-executive Director of the Company and a professor. Mr. Hao had served as the dean of the insurance department at Liaoning University, the dean of the insurance department of Central Institute of Finance and Economics, the managing director of Hong Kong Zhongqing Insurance and Risk Management Consulting Company, and the dean of the School of Insurance of Central University of Finance and Economics. Mr. Hao is currently the director of the Academic Committee of the School of Insurance of Central University of Finance and Economics, an independent director of An Hua Agricultural Property Insurance Company Ltd. and an independent director of Dinghe Property Insurance Co., Ltd. Mr. Hao has been an independent non-executive Director of the Company since December 2014. Mr. Hao obtained a bachelor's degree of economics in finance from Liaoning Institute of Finance and Economics (currently known as Dongbei University of Finance and Economics).

Mr. Li Sanxi (李三喜), is an independent non-executive Director of the Company and a senior auditor. Mr. Li had served at the administrative affairs department and the audit research institute of the NAO and Beijing Zhong Tian Heng Certified Public Accountants. Mr. Li is currently the chairman of the board of directors of Beijing Zhong Tian Heng Management Consulting Co., Ltd. and the general manager of Beijing Zhong Tian Heng Da Engineering Consulting Company. Since December 2014, Mr. Li has been an independent non-executive Director of the Company. Mr. Li obtained a bachelor's degree of economics in accounting from Lanzhou Commercial College.

Ms. Mok Kam Sheung (莫錦嫦), is an independent non-executive Director of the Company. Ms. Mok has over 23-year working experience of legal affairs. Ms. Mok is now a partner of CFN Lawyers. Since August 2015, Ms. Mok has been an independent non-executive Director of the Company, and she is currently an independent director of China Reinsurance (Hong Kong) Company Limited. Ms. Mok obtained a Bachelor of Arts (honours) degree from the University of Plymouth in England and a Common Professional Examination diploma in laws from the University of the West of England. She was also granted a certificate by the Law Society of England and Wales evidencing the passing of the Solicitors' Final Examination. Ms. Mok is qualified to practise as a solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales. She is also qualified as a China-appointed attesting officer by the Ministry of Justice of the PRC.

Ms. Jiang Bo (姜波), is an independent non-executive Director of the Company, a senior accountant and a senior economist. Ms. Jiang was appointed as the chief financial officer and the chairman of the labour union of China Everbright Group Limited, a managing director, the vice president, a party committee member and the chief audit officer of China Everbright Bank Co. Ltd., a director of China Everbright Holdings Company Limited (Hong Kong), Sun Life Everbright Life Insurance Co., Ltd., Everbright Financial Holding Asset Management Co., Ltd. and Shenyin & Wanguo Securities Co. Ltd. Ms. Jiang is currently an independent director of China Shenhua Energy Company Limited and Sinopec Oilfield Service Corporation. Since December 2018, Ms. Jiang has been an independent non-executive Director of the Company. Ms. Jiang held a doctoral degree in economics from the School of Finance of Renmin University of China.

Supervisors

Mr. Zhang Hong (張泓), is a shareholder representative Supervisor and the Chairman of the Board of Supervisors of the Company, and an economist. Mr. Zhang had served in The People's Insurance Company of China and China Insurance (UK) Co., Ltd. Mr. Zhang joined the Company in January 1996. He had served as the President and an executive Director of the Company. Mr. Zhang concurrently served as the chairman of the board of directors of China Re Life, the chairman of the board of directors and the general manager of China Re P&C, a director of China Continent Insurance, a director of China Re AMC and the chairman of CNIP. Since February 2017, Mr. Zhang has been a shareholder representative Supervisor and the Chairman of the Board of Supervisors of the Company. He currently also serves as a non-executive director of Shanghai Insurance Exchange Company Limited. Mr. Zhang obtained a bachelor's degree of arts in English from the University of International Relations.

Mr. Zhu Yong (朱永), is a shareholder representative Supervisor of the Company and a senior auditor. Mr. Zhu worked for the department of monetary audit of the NAO as the deputy divisional director. Mr. Zhu served as the general manager of the legal and audit department and the general manager of the human resources department of Tianjin Binhai Rural Commercial Bank, and the divisional director of China Export & Credit Insurance Corporation. Mr. Zhu serves as the senior manager of the office of the board of supervisors/internal audit department and the leader of the working group of the board of supervisors of China Investment Corporation. Since December 2014, Mr. Zhu has been appointed as a shareholder representative Supervisor of the Company. Mr. Zhu obtained a doctoral degree in history of economic thoughts from Peking University.

Mr. Zeng Cheng (曾誠), is a shareholder representative Supervisor of the Company and a senior accountant. Mr. Zeng was the manager of the financial department of Central Huijin and the senior deputy manager of the financial department of China Investment Corporation. Mr. Zeng is currently the senior manager of the financial department of China Investment Corporation. Since July 2018, Mr. Zeng has been appointed as a shareholder representative Supervisor of the Company. Mr. Zeng holds a doctoral degree in accounting from the Research Institute for Fiscal Science of MOF (now known as the Chinese Academy of Fiscal Sciences) and was qualified as a Chartered Global Management Accountant (CGMA) and a Fellow of the Chartered Institute of Management Accountants (FCMA).

Mr. Qin Yueguang (秦躍光), is an employee representative Supervisor of the Company and a certified public accountant (non-practising member) in the PRC. Prior to joining the Company, Mr. Qin had worked in Konka Group Co., Ltd., Ping An Insurance (Group) Company of China, Ltd., China Taiping Insurance Group Ltd. and New China Life Insurance Company Ltd. Mr. Qin was the deputy general manager of the risk management department of the Company (in charge of daily operation). Mr. Qin serves as the general manager of the department, and is concurrently serving as a director of China Re Life. Since June 2018, Mr. Qin has been appointed as an employee representative Supervisor of the Company. Mr. Qin obtained a bachelor's degree in accounting from Central University of Finance and Economics.

Mr. Li Jingye (李靖野), is an employee representative Supervisor of the Company and a senior economist. Mr. Li worked in the Central Financial Work Committee, the former China Banking Regulatory Commission and CIRC, and as the supervisor at deputy division head level of PICC Holding Company and China Reinsurance (Group) Company appointed by the State Council. Mr. Li was the assistant to general manager and deputy general manager of audit department/office of the Board of Supervisors of the Company. Mr. Li serves as the general manager of the department/office, and is concurrently serving as the Audit Controller of China Re AMC. Since June 2018, Mr. Li has been appointed as an employee representative Supervisor of the Company. Mr. Li obtained a bachelor's degree in management information system from Dongbei University of Finance and Economics, a master's degree in monetary and banking from Dongbei University of Finance and Economics, and a doctoral degree in finance from the Fiscal Science Research Institute of the Ministry of Finance (now known as the Chinese Academy of Fiscal Sciences).

Senior Management

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

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

Ms. Liu Tianyang (劉天洋), is the Secretary of the commission for discipline inspection and the Audit Controller of the Company. Ms. Liu used to serve as the deputy director of China Foreign Economy and Trade Trust Co., Ltd., and the chairman of China Foreign Economy and Trade Trust Co., Ltd. (Hainan Branch), the deputy general manager of the enterprise department of China National Chemicals Import and Export Corporation, the general manager of the industry department of the Chinese Commercial Enterprise Group, the general manager of the guarantee business department and vice chairman of the labour union of China Export & Credit Insurance Corporation, and the vice president of Dagong Global Credit Rating Co., Ltd. Ms. Liu joined the Company in September 2009 and has served as the secretary of the commission for discipline inspection since then. She has been the Audit Controller of the Company since May 2013 and has also served as the chairman of the board of supervisors of China Re P&C. Ms. Liu obtained a master's degree of economics in international finance from Renmin University of China and a doctoral degree in management science and engineering from Huazhong University of Science and Technology.

Mr. Tian Meipan (田美攀), is the Chief Actuary of the Company. Before joining the Company, Mr. Tian served as a lecturer at the insurance department of Nankai University. Mr. Tian served at the commercial business division of the life insurance business department of the Company. Mr. Tian served as a controller of the risk management department, the deputy general manager and the chief actuary of China Re Life. Mr. Tian is now an executive director and the general manager of China Re Life, and he has been the Chief Actuary of the Company since December 2012. Mr. Tian obtained a bachelor's degree in international finance and a master's degree in finance from Nankai University. He has also obtained the qualification of actuary in North America and the PRC.

Ms. Zhu Xiaoyun (朱曉雲), is the Board Secretary and a joint company secretary of the Company, and an economist. Ms. Zhu joined the Company in July 1998 and had served as the deputy head of the office of the Board and the deputy head of the general office of the Company. Ms. Zhu currently serves as the head of the general office (party committee office) of the Company. Ms. Zhu has been the joint company secretary of the Company since April 2017 and the Board Secretary of the Company since June 2017. Ms. Zhu used to serve as a director in Huatai Insurance Agency and currently also serves as a director of China Banking and Insurance Media Company Ltd. Ms. Zhu obtained a bachelor's degree in insurance from Capital University of Economics and Business and a master's degree in finance from University of International Business and Economics.

Joint Company Secretaries

For the biography of **Ms. Zhu Xiaoyun**, please refer to the paragraphs headed "Senior Management" above.

Ms. Ng Sau Mei (伍秀薇), has been appointed as a joint company secretary of the Company since April 2017. Ms. Ng is an associate director of the listing services department of TMF Hong Kong Limited. Ms. Ng has over 19 years of professional experience in the company secretarial field and is responsible for providing corporate secretarial and compliance services to listed company clients. Ms. Ng has extensive knowledge and experience in corporate governance and compliance matters for listed companies and currently serves as joint company secretary of several companies listed on the main board of the Hong Kong Stock Exchange, including Shandong Gold Mining Co., Ltd. and China BlueChemical Ltd., and is responsible for the corporate secretarial matters of several other companies listed on the main board of the Hong Kong Stock Exchange, including COSCO SHIPPING Development Co., Ltd., New China Life Insurance Company Ltd. and China Development Bank Financial Leasing Co., Ltd. Ms. Ng obtained a bachelor's degree in laws from City University of Hong Kong and a master of laws degree from University of London, and is a Chartered Secretary, a corporate governance professional and a Fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the UK.

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	None	Since May 2019, Mr. Shen Shuhai ceased to be a non-executive Director of the Company.
Wen Ning	None	Non-executive Director	Since May 2019, Mr. Wen Ning has been a non-executive Director of the Company.
Wang Xiaoya	None	Non-executive Director	Since August 2019, Ms. Wang Xiaoya has been a non-executive Director of the Company.
Liu Xiaopeng	None	Non-executive Director	Since November 2019, Mr. Liu Xiaopeng has been a non-executive Director of the Company.

For details of Mr. Shen Shuhai's retirement and Mr. Wen Ning, Ms. Wang Xiaoya and Mr. Liu Xiaopeng's appointments, 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, 7 August 2019, 6 September 2019, 21 October 2019 and 22 November 2019.

Save as disclosed above and in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, during the Reporting Period, there was no other change of the Directors of the Company 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

Save as disclosed in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, during the Reporting Period, there was no other change of the Supervisors of the Company 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 an Assistant to the President of the Company.
Zhao Wei	Vice President, Chief Financial Officer	None	Since June 2019, Mr. Zhao Wei ceased to be the Vice President and the Chief Financial Officer of the Company.

Save as disclosed above and in "Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries" under this section, during the Reporting Period, there was no other change of the senior management of the Company or their information required to be disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

EMPLOYEES

As of 31 December 2019, China Re Group had a total of 66,175 employees. The Group's staff remuneration comprises three components, namely basic salary, performance bonus and income benefits. We always uphold the guidance of "combining the market practice with the real situation of China Re", follow the distribution concept of "giving priority to the front-line staff, the front office staff, the core backbones and the best-performing staff", and have established a fair, competitive and motivating remuneration system. We have established an enterprise annuity plan and a supplementary medical insurance plan to provide more comprehensive benefits, which plays an important role in attracting, motivating and retaining talents.

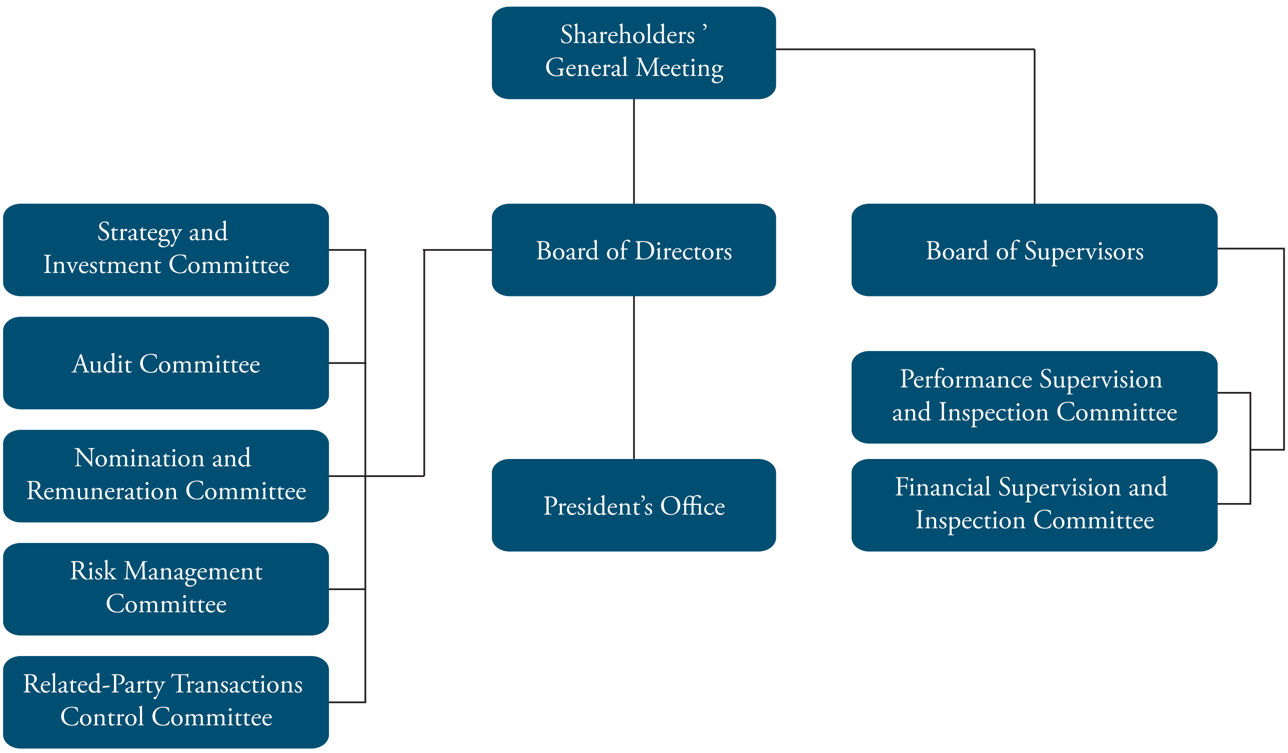
The Group is devoted to realising a win-win situation between corporate development and employee improvement, and has fully implemented talent protection to train young employees, backbone employees, and core staff in a targeted manner, in which we have increased investment in talent cultivation, strengthened employee career planning management, cleared the obstacles on the career growth channels, and established a talent training system with our characteristics through multi-level training, internal rotation and exchange, and overseas training to create a high-quality, professional and international team of employees.

OVERVIEW

The Company has always been in compliance with relevant laws and regulations and regulatory requirements such as the PRC Company Law, the PRC Insurance Law, the Hong Kong Listing Rules, the Guided Opinion on Regulating the Corporate Governance Structure of Insurance Companies (Provisional), earnestly performed the requirements of the Articles of Association, adhered to the principles of good corporate governance, strived for continuously enhancing the corporate governance standard to ensure the stable development of the Company and to enhance shareholders' value.

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

The corporate governance structure chart of the Company is set out as below:



SHAREHOLDERS' GENERAL MEETING

Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws: (1) to decide on operational policies and investment plans of the Company; (2) to elect or replace the Directors and Supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of Directors and Supervisors; (3) to consider and approve the reports of the Board of Directors; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve annual financial budgets and final accounts of the Company; (6) to consider and approve proposals for profit distribution and recovery of losses of the Company; (7) to decide on increase or reduction of the registered capital of the Company; (8) to decide on the issuance of bonds, shares, warrants or other marketable securities and listing of the Company; (9) to decide on merger, division, dissolution and liquidation of the Company and changes in the form of the Company; (10) to amend the Articles of Association and to formulate and amend the procedural rules of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; (11) to decide on the acquisition of shares of the Company; (12) to decide on the appointment, dismissal or non-reappointment of accounting firms which provide regular statutory audit for financial statements of the Company; (13) to consider and approve matters related to the Company's establishment of legal entities, significant external investment, major acquisition of assets, major pledge and write-off of assets, major external donation and major asset mortgage (other than those authorised to be determined by the Board); (14) to consider and approve related-party transactions required to be considered and approved by the shareholders' general meetings under laws, administrative regulations, regulatory requirements and requirements of the securities regulatory authorities or stock exchange at the place where the Company's shares are listed; (15) to consider and approve matters related to the change of use of the raised fund; (16) to consider and approve share incentive scheme; (17) to consider and approve any proposal raised by shareholders, individually or in aggregate, holding above 3% of the issued shares of the Company with voting rights; (18) to consider and approve plan on authorisation to the Board granted by the shareholders' general meetings; and (19) to consider other matters that are to be determined at the shareholders' general meeting as required by the PRC laws, administrative regulations, regulatory requirements and the Articles of Association.

During the Reporting Period, the Company convened three shareholders' general meetings and the resolutions considered and approved at the meetings included:

- Resolution on Matters Regarding Remuneration of Relevant Directors and Supervisors of China Reinsurance (Group) Corporation for the Year 2017;

- Resolution on Matters Regarding Remuneration of Independent Directors for the Fourth Session of the Board of Directors of China Reinsurance (Group) Corporation;

- Resolution on Electing Mr. Wen Ning as the Non-executive Director for the Fourth Session of the Board of Directors of China Reinsurance (Group) Corporation;

- Resolution on Mr. Shen Shuhai's Ceasing to Serve as the Non-executive Director of China Reinsurance (Group) Corporation;

- Resolution on the Report of the Board of Directors of China Reinsurance (Group) Corporation for the Year 2018;

- Resolution on the Report of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2018;
- Resolution on the Final Financial Accounts Report of China Reinsurance (Group) Corporation for the Year 2018;
- Resolution on the Profit Distribution Plan of China Reinsurance (Group) Corporation for the Year 2018;
- Resolution on the Investment Budget for Fixed Assets of China Reinsurance (Group) Corporation for the Year 2019;
- Resolution on the Re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the Statutory Financial Reporting Auditors of China Re Group and the Related Fees for the Year 2019;
- Resolution on Electing Ms. Wang Xiaoya as the Non-executive Director for the Fourth Session of the Board of Directors of China Reinsurance (Group) Corporation; and
- Resolution on Electing Mr. Liu Xiaopeng as the Non-executive Director for the Fourth Session of the Board of Directors of China Reinsurance (Group) Corporation.

Methods of Convening Extraordinary General Meetings and Proposing Resolutions by Shareholders

According to the Articles of Association, any shareholder(s), whether individually or in aggregate, holding more than 10% of the outstanding shares of the Company with voting rights may request in writing to convene an extraordinary general meeting and such shareholder(s) shall submit the subject(s) of the meeting and the full proposal(s) in writing to the Board. If the Board holds the view that the proposal(s) complies with the requirements under the PRC laws, administrative regulations, regulatory requirements and the Articles of Association, it shall issue a notice of shareholders' general meeting within five days after the resolution of the Board.

For details of the procedures for nominating candidates of Directors by shareholders, please refer to the website of the Company. Specific enquiries or suggestions by shareholders can be sent in writing to the Board at the Company's registered address or by e-mail to the Company. In addition, if the shareholders have any enquiries about their shareholdings and entitlement to dividend, they can contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, the contact details of which are set out in the section headed "Corporate Information" of this annual report.

When shareholders' general meetings are held by the Company, shareholders individually or in aggregate holding more than 3% of the outstanding shares of the Company with voting rights have the right to make proposals in writing. The proposing shareholders may raise interim proposals and submit to the convenor of the shareholders' general meeting 10 days prior to the date of the meeting, and matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting shall be included in such meeting's agenda. The convenor of the shareholders' general meeting shall give supplemental notice to the shareholders within two days upon receiving such interim proposals. The content of such interim proposals shall be within the scope of functions and powers of the shareholders' general meetings, and shall contain specific subjects and concrete matters for approval.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board shall be responsible for the shareholders' general meetings. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors and Supervisors at least 15 days before the date of the meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors and Supervisors at least seven days before the date of the meeting (excluding the date of the meeting). In the event of an emergency matter, the convening of an extraordinary meeting is not subject to the aforementioned time limit of notification for the meeting, but reasonable notice shall be given.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders during their terms of office.

Composition

As at the end of the Reporting Period, the Board comprised 11 Directors, consisting of three executive Directors, four non-executive Directors and four independent non-executive Directors.

Directors serve a term of three years and may serve consecutive terms if re-elected. Details are as follows:

Name	Position
Yuan Linjiang	Chairman, Executive Director
He Chunlei	Vice Chairman, Executive Director
Ren Xiaobing	Executive Director
Lu Xiuli	Non-executive Director
Wen Ning	Non-executive Director
Wang Xiaoya	Non-executive Director
Liu Xiaopeng	Non-executive Director
Hao Yansu	Independent Non-executive Director
Li Sanxi	Independent Non-executive Director
Mok Kam Sheung	Independent Non-executive Director
Jiang Bo	Independent Non-executive Director

Notes:
1. Since May 2019, Mr. Shen Shuhai ceased to be the non-executive Director.
2. Since May 2019, Mr. Wen Ning has been the non-executive Director.
3. Since August 2019, Ms. Wang Xiaoya has been the non-executive Director.
4. Since November 2019, Mr. Liu Xiaopeng has been the non-executive Director.

During the Reporting Period, the Board had been at all times in compliance with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules which stipulate that an issuer must appoint at least three independent non-executive directors and at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise, and with Rule 3.10A of the Hong Kong Listing Rules which specifies that an issuer must appoint independent non-executive directors representing at least one-third of the board.

All Directors (including independent non-executive Directors) have brought a variety of valuable working experience and expertise to the Board, enabling the Board to effectively perform its functions. All Directors have agreed to disclose to the Company in a timely manner the number, nature, position, and duration of office at other listed companies or institutions and other major appointments in accordance with the requirements of the Corporate Governance Code.

Corporate Governance Functions

The Company is committed to maintaining the highest level of corporate governance and the Board plays an important role to maintain sound corporate governance. The corporate governance functions of the Board and its specialised committees include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Duties and Responsibilities

The Board shall be responsible for the shareholders' general meeting, and its main responsibilities include, but are not limited to: (1) convening shareholders' general meetings and reporting its work to the shareholders' general meeting; (2) implementing the resolutions of the shareholders' general meetings; (3) determining the operation plans and investment proposals of the Company; (4) formulating the development strategies of the Company; (5) formulating the annual financial budget and final accounts of the Company; (6) formulating the profit distribution plan and loss recovery plan of the Company; (7) formulating proposals for increase or reduction of the registered capital or proposals for the issue of bonds, shares, warrants or other securities or the listing of the Company; (8) formulating plans for major acquisition of the Company, the acquisition of shares of the Company or merger, division, dissolution and changes of the form of the Company; (9) formulating proposals for any amendment to the Articles of Association; (10) formulating the procedural rules of the shareholders' general meetings and the Board and the working rules for specialised committees under the Board; (11) formulating the basic management system of the Company; (12) deciding on the establishment of internal management departments, branches and subsidiaries of the Company; (13) regularly evaluating and improving the corporate governance of the Company; (14) appointing or removing senior management of the Company, and implementing reviews as well as determining remuneration and rewards and punishment arrangements with respect to such personnel; appointing or removing members of each specialised committee under the Board; (15) reviewing and deciding on evaluation plans for the results of operation of our major subsidiaries; (16) reviewing annual financial reports and major disclosure of information of the Company; (17) proposing to the shareholders' general meeting on the appointment or removal of accounting firms which provide regular statutory audit on the financial statements of the Company; (18) considering and approving, or authorising the Related-Party Transactions Control Committee under the Board to approve related-party transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws; (19) considering and approving the Company's matters such as external investment, acquisition of assets, disposal and write-off of assets, external donations and asset mortgage, except for the matters regulated under the functions and powers attributable to the shareholders' general meeting as stipulated in Article 69 of the Articles of Association; (20) listening to the report from the Company's President on the operation and management and inspecting the work of the President; (21) recruiting an external auditor to carry out the audit of the Directors and senior management of the Company; and (22) exercising such other functions and powers as granted by the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and as empowered by the shareholders' general meeting.

Summary of Work Undertaken

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

Name	Attended in person/ eligible to attend	Percentage of attendance in person(%)
Yuan Linjiang	1/3	33
He Chunlei	2/3	67
Ren Xiaobing	2/3	67
Lu Xiuli	3/3	100
Wen Ning	2/2	100
Wang Xiaoya	1/1	100
Liu Xiaopeng	0/0	N/A
Hao Yansu	3/3	100
Li Sanxi	3/3	100
Mok Kam Sheung	3/3	100
Jiang Bo	3/3	100
Shen Shuhai	1/1	100

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

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	7/8	88	1/8	12
He Chunlei	8/8	100	0/8	0
Ren Xiaobing	7/8	88	1/8	12
Lu Xiuli	7/8	88	1/8	12
Wen Ning	4/5	80	1/5	20
Wang Xiaoya	3/3	100	0/3	0
Liu Xiaopeng	1/1	100	0/1	0
Hao Yansu	7/8	88	1/8	12
Li Sanxi	7/8	88	1/8	12
Mok Kam Sheung	7/8	88	1/8	12
Jiang Bo	8/8	100	0/8	0
Shen Shuhai	2/3	67	1/3	33

During the Reporting Period, the Board held a total of eight meetings, at which 79 resolutions were considered and approved and 21 reports were received. The Directors have exercised their voting rights prudently and independently and put forward constructive opinions and suggestions which have effectively facilitated the efficient operation of corporate governance and promoted the implementation of the "One-Three-Five" strategy of the Group Company with new breakthroughs while driving the improvement of operation and management of the Company.

Directors

Responsibility with Respect to Financial Statements

The management of the Company has provided the Board with necessary explanations and information enabling all Directors to consider the Company's consolidated financial statements which are submitted to the Board for approval. The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall reflect a true and fair view of the business operations of the Company by implementing proper accounting policies in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and implementing the accounting regulations issued by the Ministry of Finance and the CBIRC subject to compliance with the International Financial Reporting Standards.

The Board has confirmed that it is responsible for the preparation of the financial statements of the Company for the year ended 31 December 2019. The Company is not subject to any material uncertainties or circumstances which might cast significant doubt on the Company's ability to continue as a going concern.

Securities Transactions

During the Reporting Period, in respect of dealings in securities by Directors and Supervisors, the Company had adopted the Model Code for Securities Transactions. Upon enquiries by the Company, all Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code for Securities Transactions during the Reporting Period.

Training of Directors

During the Reporting Period, all Directors (Mr. Yuan Linjiang, Mr. He Chunlei, Mr. Ren Xiaobing, Ms. Lu Xiuli, Mr. Wen Ning, Ms. Wang Xiaoya, Mr. Liu Xiaopeng, Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung, Ms. Jiang Bo and Mr. Shen Shuhai) were actively involved in continuous improvement in professional competence and participated in various kinds of training activities relating to corporate governance, the Hong Kong Listing Rules and risk management which were organised by the shareholders, regulatory authorities, industrial organisations and the Company, so as to develop and update their knowledge and skills and improve their performance ability, with the aim of making contributions to the Board with comprehensive information under appropriate circumstances.

Chairman/Vice Chairman/President

During the Reporting Period, the Chairman and the President of the Company were performed by different persons. As at the Latest Practicable Date, the Chairman of the Company was Mr. Yuan Linjiang. The Vice Chairman and the President of the Company was Mr. He Chunlei.

The Chairman is responsible for providing leadership to the Board, ensuring that the Company has good corporate governance practices and procedures, and maintaining the effective operation of the functions of Board. If the Chairman is unable to perform his duties or does not perform his duties, the Vice Chairman shall perform the duties of the Chairman.

The President is responsible for leading the operation and management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of the Vice President of the Company and other senior management (other than the Audit Controller and the Board Secretary). Details of the duties and responsibilities of the Chairman, the Vice Chairman and the President are set out in the Articles of Association.

Term of Office of Non-executive Directors

The term of office of non-executive Directors (including independent non-executive Directors) is three years.

Independence of Independent Non-executive Directors

All independent non-executive Directors have complied with the independence guidance requirements set out in Rule 3.13 of the Hong Kong Listing Rules, and have submitted their letters of confirmation regarding their independence to the Company. As such, the Company considers that all independent non-executive Directors are still independent.

Nomination of Directors

The Nomination and Remuneration Committee of the Board first reviews the candidates of Directors in accordance with the requirements of laws, regulations, regulatory documents, regulatory requirements and the Articles of Association and then makes recommendations to the Board.

Remuneration of Directors

The Board has established the Nomination and Remuneration Committee with written terms of reference. As at the end of the Reporting Period, the Nomination and Remuneration Committee consisted of two non-executive Directors, being Mr. Wen Ning (vice chairman), Ms. Lu Xiuli, and three independent non-executive Directors, being Mr. Hao Yansu (chairman), Mr. Li Sanxi and Ms. Mok Kam Sheung.

The Articles of Association provide that the remuneration of the Directors shall be determined by the shareholders' general meetings of the Company from time to time. The remuneration of the independent non-executive Directors shall be proposed by the Board and reviewed and approved by the shareholders' general meetings. The Articles of Association provide that the Company shall enter into written contracts with the Directors in respect of remuneration matters with prior approval by the shareholders' general meetings. In 2019, except for independent non-executive Directors who received Directors' fees from the Company, all other Directors did not receive any remuneration from the Company in the capacity of Directors. Executive Directors received remuneration in the capacity of senior management from the Company. The remuneration packages of independent non-executive Directors are determined based on the Company's actual situations with reference to market benchmarks.

Specialised Committees of the Board

There are five specialised committees under the Board, namely the Strategy and Investment Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Related-Party Transactions Control Committee. Each committee provides opinions and suggestions to the Board with respect to matters within the scope of its responsibilities. The duties and operation process of each specialised committee are explicitly stipulated in their respective terms of reference.

Strategy and Investment Committee

Composition

As at the end of the Reporting Period, the Strategy and Investment Committee comprised five Directors, including three executive Directors and two non-executive Directors.

Chairman:	Yuan Linjiang (executive Director)
Members:	He Chunlei (executive Director), Ren Xiaobing (executive Director), Wen Ning (non-executive Director), Wang Xiaoya (non-executive Director)

Notes:
1. Since 14 May 2019, Mr. Shen Shuhai ceased to be the member of the Strategy and Investment Committee.
2. Since 24 June 2019, Mr. Wen Ning has been the member of the Strategy and Investment Committee.
3. Since 26 December 2019, Ms. Lu Xiuli ceased to be the member of the Strategy and Investment Committee.
4. Since 26 December 2019, Ms. Wang Xiaoya has been the member of the Strategy and Investment Committee.

Duties and responsibilities

The Strategy and Investment Committee is primarily responsible for studying the mid- to long-term development strategies and significant investment decisions of the Company and making recommendations.

The primary duties include (but not limited to): (1) reviewing the Company's development strategies; (2) reviewing the Company's operation plans, annual financial budget and final accounts; (3) reviewing the goals of the Company's assets and liabilities management, asset allocation plans, and other investment asset management matters within the scope of authorisation by the Board; (4) reviewing the Company's major investment and fund raising plans, and matters such as investment, asset acquisition, asset disposal and write-off, external guarantee and external donation within the scope of mandates granted by the shareholders' general meeting (except for those performed by the senior management as authorised by the Board); (5) reviewing the basic systems of strategy management and asset management; (6) reviewing the establishment of our internal management departments and branches, and the establishment plan of legal person institution; and (7) other matters as authorised by the Board.

Summary of work undertaken

During the Reporting Period, the Strategy and Investment Committee held a total of five meetings, considered and approved eight resolutions, and received one report.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	5/5	100	0/5	0
He Chunlei	5/5	100	0/5	0
Ren Xiaobing	5/5	100	0/5	0
Wen Ning	2/2	100	0/2	0
Wang Xiaoya	0/0	N/A	0/0	N/A
Lu Xiuli	5/5	100	0/5	0
Shen Shuhai	3/3	100	0/3	0

During the Reporting Period, the Strategy and Investment Committee thoroughly studied and discussed the operation plans and budgets for the year 2019, report on the final accounts and profits distribution plan for the year 2019, increase of registered working capital of the Singapore Branch, formulation of the rolling capital plan for three years and the interim assessment of the "13th Five-Year" development plan of the Group, proposed constructive suggestions, and played an important role in areas including the implementation of significant strategies and the development of overseas business of the Company.

Audit Committee

Composition

As at the end of the Reporting Period, the Audit Committee comprised five Directors including three independent non-executive Directors and two non-executive Directors, with an independent non-executive Director serving as the chairman.

Chairman:	Li Sanxi (independent non-executive Director)
Vice chairlady:	Jiang Bo (independent non-executive Director)
Members:	Wen Ning (non-executive Director), Liu Xiaopeng (non-executive Director), Hao Yansu (independent non-executive Director)

Notes:
1. Since 14 May 2019, Mr. Shen Shuhai ceased to be the member of the Audit Committee.
2. Since 24 June 2019, Mr. Wen Ning has been the member of the Audit Committee.
3. Since 26 December 2019, Ms. Lu Xiuli ceased to be the member of the Audit Committee.
4. Since 26 December 2019, Mr. Liu Xiaopeng has been the member of the Audit Committee.

Duties and responsibilities

The Audit Committee examines the basic internal audit system and monitors its implementation, monitors and evaluates the internal audit and internal control of the Company, and makes recommendations on the appointment or change of external auditors and monitors their work. The primary duties include (but not limited to): (1) examining the basic internal audit system of the Company and monitoring its implementation, and inspecting, monitoring and evaluating the internal audit of the Company; (2) monitoring the implementation of the internal control and management system of the Company, inspecting and evaluating the compliance and effectiveness of material operating activities of the Company; reviewing the Corporate Governance Report and Compliance Report of the Company on a regular basis, and providing opinions and recommendations for improvement to the Board; (3) examining the Company's financial information and its disclosure, examining the Company's key financial system and its implementation, monitoring the financial status; monitoring the truthfulness of financial reports and the effectiveness of financial reporting procedures implemented by the management; (4) making recommendations on the appointment, re-appointment, replacement or removal of external auditors, monitoring the independence and objectivity, audit process and works of external auditors, coordinating the communication between the internal audit department and external auditors, examining reports issued by external auditors, and ensuring external auditors' accountability to the Board and the Audit Committee; and (5) other matters as authorised by the Board.

Summary of work undertaken

During the Reporting Period, the Audit Committee held a total of five meetings, considered and approved 16 resolutions, and received six reports.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Li Sanxi	5/5	100	0/5	0
Jiang Bo	5/5	100	0/5	0
Wen Ning	1/1	100	0/1	0
Liu Xiaopeng	0/0	N/A	0/0	N/A
Hao Yansu	4/5	80	1/5	20
Lu Xiuli	5/5	100	0/5	0
Shen Shuhai	3/3	100	0/3	0

During the Reporting Period, the Audit Committee carefully performed its duties, considered and studied matters including the appointment of domestic and overseas annual auditors, the annual results announcement for the year 2018 and the interim results announcement of 2019, the annual report for the year 2018 and the interim report of 2019, the corporate governance report and compliance report for the year 2018; audit on resignations of senior management, selection and engagement of accounting firms, internal control and compliance issues and respective rectifications regarding foreign currency asset management, and provided the Board and the management with opinions and advice relating to finance, internal control and compliance in a timely manner, which kept enhancing the corporate governance level of the Company.

Nomination and Remuneration Committee

Composition

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised five Directors, including three independent non-executive Directors and two non-executive Directors.

Chairman: Hao Yansu (independent non-executive Director)

Vice chairman: Wen Ning (non-executive Director)

Members: Lu Xiuli (non-executive Director), Li Sanxi (independent non-executive Director), Mok Kam Sheung (independent non-executive Director)

Notes: 1. Since 14 May 2019, Mr. Shen Shuhai ceased to be the vice chairman of the Nomination and Remuneration Committee.

2. Since 24 June 2019, Mr. Wen Ning has been the vice chairman of the Nomination and Remuneration Committee.

Duties and responsibilities

The Nomination and Remuneration Committee reports to the Board, reviews the human resources strategy and remuneration strategy of the Company, studies and makes recommendations to the Board on the selection procedures and criteria, candidates and remuneration packages for Directors and senior management.

The primary duties include (but not limited to): (1) making recommendations to the Board regarding the selection procedures and criteria for Directors and senior management and the structure and composition of the Board; (2) reviewing the qualifications of Directors and senior management in accordance with the selection procedures and criteria, and making recommendations to the Board; (3) regularly (at least annually) evaluating the reasonableness of the Company's (including but not limited to the Board's) structure, size and composition (including the skills, knowledge and experience), and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (4) making preliminary reviews on the candidates of Directors and senior management (including the Board Secretary) of the Company, and making recommendations to the Board; (5) nominating candidates for members of specialised committees (excluding this Committee) of the Board; (6) proposing the remuneration policy and proposals of Directors, Supervisors and senior management, and making recommendations to the Board; (7) considering salaries paid by comparable companies, time commitment and responsibilities required and terms of employment elsewhere in the Group; (8) examining and approving compensation payable to executive Directors and senior management due to their loss or termination of office or appointment; (9) examining and approving compensation arrangements relating to dismissal or removal of Directors due to misconduct; (10) ensuring that no Directors or any of his/her associates are involved in deciding his/her own remuneration; (11) considering the evaluation plans and remuneration packages of senior management of the Company, evaluating their performance and work, and submitting to the Board for approval; (12) examining the primary remuneration system, the evaluation plans for the results of operation of the Company and major subsidiaries, and making recommendations to the Board; and (13) other matters authorised by the Board.

Summary of work undertaken

During the Reporting Period, the Nomination and Remuneration Committee held a total of seven meetings, considered and approved 28 resolutions, and discussed one item.

Attendance records of the meetings were as follows:

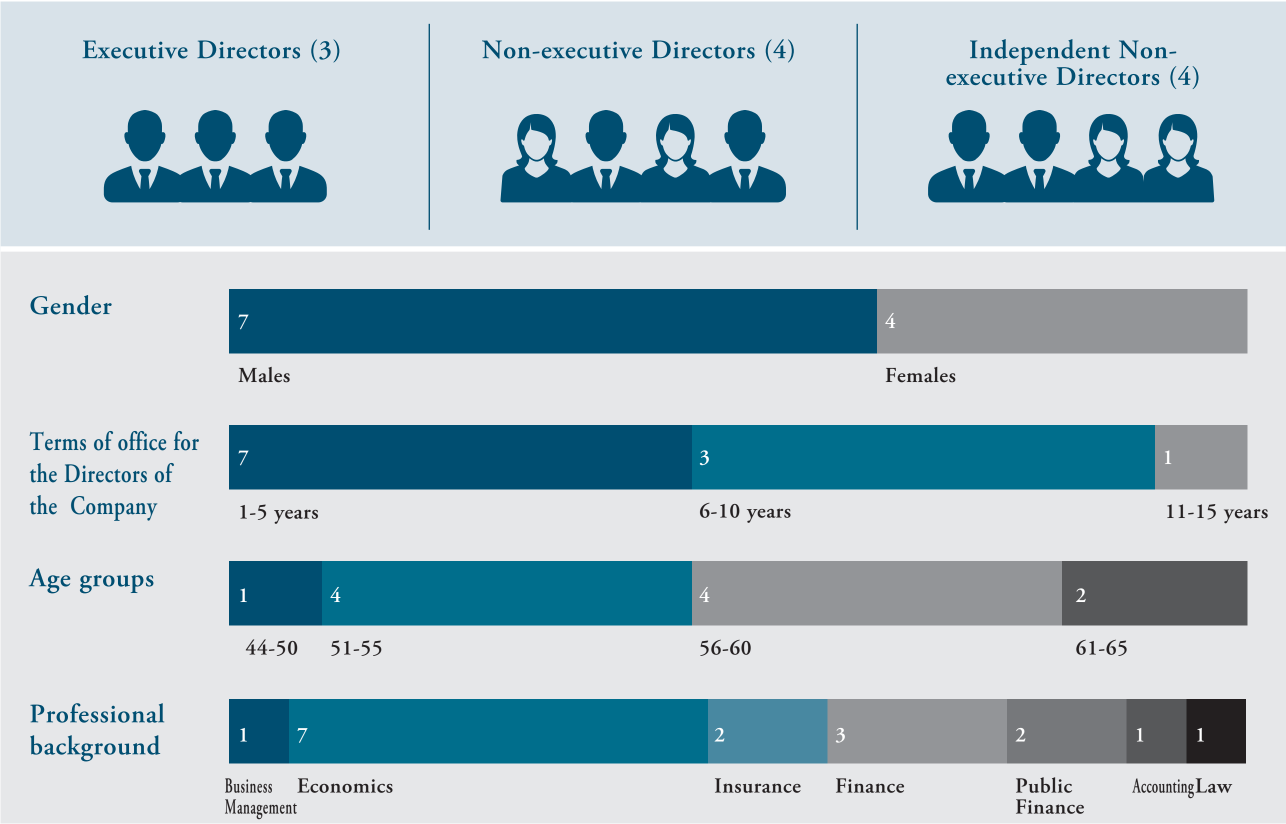
Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	7/7	100	0/7	0
Wen Ning	2/3	67	1/3	33
Lu Xiuli	7/7	100	0/7	0
Li Sanxi	7/7	100	0/7	0
Mok Kam Sheung	7/7	100	0/7	0
Shen Shuhai	3/3	100	0/3	0

During the Reporting Period, the Nomination and Remuneration Committee discussed and studied matters including the 2019 aggregate budgets for salaries of China Re Group, the amendments to enterprise annuity scheme, the 2019 operating results appraisal plan, the remuneration for Directors, Supervisors and senior management, renewal of liability insurance for Directors, Supervisors and senior management, nomination of candidates of Directors, adjustment to the specialised committees of the Board as well as appointment and removal of relevant Directors and senior management, which further pushed forward the comprehensive incentive and disciplinary system of the Company and continued to improve its effectiveness.

According to the provisions of laws and regulations, normative documents, regulatory requirements and the Articles of Association, election of Director candidates shall first go through preliminary review by the Nomination and Remuneration Committee who shall then make nomination to the Board, and the Board shall propose the candidates to the shareholders' general meeting of the Company for election by way of resolutions. Members of the Board shall finally be elected by the shareholders' general meeting of the Company. The Nomination and Remuneration Committee mainly considers the education background, professional experience of the candidates and their capability to contribute to the Company as the selection and recommendation criteria, with taking into consideration the Board diversity policy.

Pursuant to the Corporate Governance Code, the Board continued to implement the Board diversity policy. The Company is committed to maintaining the highest level of corporate governance and the diversity of Board members is an essential component of maintaining good corporate governance. The Company does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Board considers that the diversity in opinions and perspectives is beneficial to the Company and can be achieved through the consideration of factors in various aspects such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age. Notwithstanding the above, the appointments of the members of the Board will always adhere to the principle of meritocracy, taking into account objective factors and considering the Company's business model and specific needs from time to time as well as the benefits of diversity to the Board. The members of the Board are from diverse educational and professional backgrounds and have extensive experience and expertise in the insurance and finance industry, risk management, financial state-owned assets regulation, financial auditing and legal fields; In addition, the Board comprises members of different genders. The Nomination and Remuneration Committee is of the opinion that the composition of the Board during the Reporting Period had been in compliance with the Board diversity policy.


Executive Directors (3)
Non-executive Directors (4)
Independent Non-executive Directors (4)
Gender
7
4
Males
Females
Terms of office for the Directors of the Company
7
3
1
1-5 years
6-10 years
11-15 years
Age groups
1
4
4
2
44-50
51-55
56-60
61-65
Professional background
1
7
2
3
2
1
1
Business Management
Economics
Insurance
Finance
Public Finance
Accounting
Law

Risk Management Committee

Composition

As at the end of the Reporting Period, the Risk Management Committee comprised five Directors, including two executive Directors, two non-executive Directors and one independent non-executive Director.

Chairlady:	Jiang Bo (independent non-executive Director)
Vice chairlady:	Lu Xiuli (non-executive Director)
Members:	He Chunlei (executive Director), Ren Xiaobing (executive Director), Liu Xiaopeng (non-executive Director)

Notes:
1. Since 14 May 2019, Mr. Shen Shuhai ceased to be the member of the Risk Management Committee.
2. Since 24 June 2019, Mr. Wen Ning has been the member of the Risk Management Committee.
3. Since 26 December 2019, Mr. Wen Ning ceased to be the member of the Risk Management Committee.
4. Since 26 December 2019, Mr. Liu Xiaopeng has been the member of the Risk Management Committee.

Duties and responsibilities

The Risk Management Committee is responsible for having a comprehensive understanding of various major risks and their management and supervising the effectiveness of the risk management system.

The primary duties include (but not limited to): (1) reviewing the Company's risk strategies and risk management procedures, and monitoring and evaluating their implementation and effectiveness; (2) reviewing the Company's risk management policies and internal control systems, and monitoring and evaluating their implementation and effectiveness; monitoring and evaluating the subsidiaries' risk management policies and internal control systems and their implementation and effectiveness. The reviewing matters of the Committee include but not limited to: (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's overall ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and the internal control systems; (iii) the extent and frequency of communication of monitoring results to the Board (or the committees under the Board) which enables it to assess the overall control of the Company and the effectiveness of its risk management; and (iv) significant control failures or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's overall financial performance or condition; (3) reviewing, monitoring and evaluating the organisational structure, department-setting and duties, working procedures and effectiveness of risk management, and making recommendations as to improving the Company's risk management and control; (4) considering the overall objectives, risk appetite, risk tolerance and risk management policies in respect of the solvency risk management of the Company; (5) addressing major differences or issues regarding risk management system operation or risk management matters; (6) monitoring and evaluating the senior management's efforts on risk control in respect of market and operation; (7) monitoring the effectiveness of the Company's risk management system (including but not limited to ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget in respect of the Company's accounting, internal audit and financial reporting); (8) comprehensively understanding various major risks the Company faced and their management, reviewing risk assessment report on a regular basis, considering the risk assessment in respect of material decision-making and the solutions for major risks, assessing the Company's overall risk profile and risk management on a regular basis, and ensuring the Company's disclosure in a statement about how it complies with the code provisions for risk management and internal control in its corporate governance report during the reporting period in accordance with the requirements of the Hong Kong Listing Rules; and (9) other matters as authorised by the Board.

Summary of work undertaken

During the Reporting Period, the Risk Management Committee held a total of five meetings, and considered and approved 11 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Jiang Bo	5/5	100	0/5	0
Lu Xiuli	4/5	80	1/5	20
He Chunlei	5/5	100	0/5	0
Ren Xiaobing	5/5	100	0/5	0
Liu Xiaopeng	0/0	N/A	0/0	N/A
Wen Ning	3/3	100	0/3	0
Shen Shuhai	2/2	100	0/2	0

During the Reporting Period, the Risk Management Committee studied the risk appetite for the year 2019, the interim and annual reports for risk oriented solvency, the internal control assessment report for the year 2018, the risk assessment report, the consolidated management and other matters of the Group, which facilitated the improvement of the Group's risk management system and continuously improved the Group's risk management capabilities.

Related-Party Transactions Control Committee

Composition

As at the end of the Reporting Period, the Related-Party Transactions Control Committee comprised five Directors, including one non-executive Director and four independent non-executive Directors.

Chairman:	Hao Yansu (independent non-executive Director)
Vice chairman:	Liu Xiaopeng (non-executive Director)
Members:	Li Sanxi (independent non-executive Director), Mok Kam Sheung (independent non-executive Director), Jiang Bo (independent non-executive Director)

Notes:
1. Since 26 December 2019, Mr. Ren Xiaobing ceased to be the chairman and member of the Related-Party Transactions Control Committee.
2. Since 26 December 2019, Mr. Hao Yansu has been the chairman of the Related-Party Transactions Control Committee and ceased to be the vice chairman of the Related-Party Transactions Control Committee.
3. Since 26 December 2019, Mr. Liu Xiaopeng has been the vice chairman of the Related-Party Transactions Control Committee.

Duties and responsibilities

The primary duties of the Related-Party Transactions Control Committee include: (1) identifying the related parties of the Company, and the updates and maintenance of the informative archives of related parties which shall be updated at least once every half year; (2) performing a preliminary review of significant related-party transactions that shall be approved by the shareholders' general meeting and the Board, and expressing written opinions on the compliance, fairness, necessity of significant related-party transactions and whether they are harmful to the interests of the Company and insurance consumers; (3) accepting filings of general related-party transactions; (4) considering and submitting a special report on the Company's overall related-party transactions for the year to the Board; (5) coordinating management of information disclosure for related-party transactions; and (6) other matters as authorised by the Board.

Note:
1. The Company considered and approved the newly revised Working Rules of the Related-Party Transactions Control Committee of the Board of China Reinsurance (Group) Corporation at the 14th meeting of the fourth session of the Board on 26 December 2019.

Summary of work undertaken

During the Reporting Period, the Related-Party Transactions Control Committee held a total of six meetings, and considered and approved 12 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	6/6	100	0/6	0
Liu Xiaopeng	0/0	N/A	0/0	N/A
Li Sanxi	6/6	100	0/6	0
Mok Kam Sheung	6/6	100	0/6	0
Jiang Bo	6/6	100	0/6	0
Ren Xiaobing	6/6	100	0/6	0

During the Reporting Period, the Related-Party Transactions Control Committee amended the Working Rules of the Committee, considered significant related-party transactions of the Company, the report on related-party transactions, the implementation of the management system of related-party transactions and assessment of internal transactions for the year 2018, and updated the list of related parties and other matters, which ensured that the related-party transactions of the Group were in compliance with laws and regulations.

Risk Management and Internal Control

The Company believes that good risk management and internal control plays an important role in the operation of the Company. The Board is ultimately responsible for the risk management, internal control and compliance management of the Company and is committed to the establishment and constant improvement of effective risk management and internal control systems.

Main Features of Risk Management and Internal Control System

The Board is responsible for guidance over the establishment of the overall risk management and internal control management system of the Company, conducting regular research and assessment on the soundness, reasonableness and effectiveness of risk management and internal control, considering and approving the organisational structure of risk management and internal control, basic management systems and material risk treatment of the Company, as well as considering and approving the annual risk assessment report and internal control assessment report of the Company.

The Risk Management Committee is established under the Board to assist the Board in reviewing, monitoring and assessing material risk management matters of the Company such as risk strategies and risk management procedures, risk management policies and internal control system, risk management organisation methods and risk control performances. The Audit Committee is established under the Board to monitor the implementation of the Company's internal control and management system, and examine and assess the compliance and effectiveness of significant operational activities of the Company. The functional departments, including business, finance and investment departments of the Company are primarily responsible for the risk management and internal control system. The specialised departments, such as risk management and internal control and compliance departments, are responsible for the coordinated planning, organisation and implementation of risk management, internal control and compliance before and during the process. Risk assessment and internal control and compliance assessment work were carried out by the specialised departments on an annual basis. The internal audit department is responsible for monitoring and auditing the performance in risk management and internal control and compliance.

Technologies and Implementation of Risk Management

During the Reporting Period, the Company implemented the following measures to identify, evaluate and manage material risks: (1) The Company operated and managed risk appetite system. The Company's risk appetite system comprises risk appetite, risk tolerance and risk limits, which has been closely integrated with the business plan to play a role in guidance and constraints to business operations. Through the implementation of risk control plans and related indicators monitoring, reporting and dynamic management processes, the continuous functioning of risk appetite is assured. (2) The Company continued deepening the construction of the C-ROSS system. Since the official implementation of the C-ROSS system, the Company has carried out a number of works to deepen the construction of C-ROSS, including but not limited to the followings: (i) Solvency was regularly analysed and specific management measures were accordingly adopted, and the impact of major business activities over its solvency was assessed before conducting such business activities to ensure adequate solvency; (ii) The Company improved its risk management capability through promoting the sound establishment and effective implementation of the Company's various risk management policies, while establishing and optimising the risk management information system to protect the Company's business development; (iii) The Company actively participated in the study for the C-ROSS Phase II project to set the foundation for the implementation of related rules in the Company. (3) The Company regularly identified, monitored and analyzed all types of major risks. The Company used various risk indicators, economic scenario generator, catastrophe models, and economic capital models together with stress testing and scenario analysis and other tools, and adopted a method of combination of qualitative and quantitative to analyse risk profile, monitor and assess risks, and prepare reports and analysis for major risk events. The Company also managed the retained risks through risk control plan. When risk exposure broke through relevant requirements, internal procedures were triggered, and the Company managed risks beyond its risk tolerance through retrocession or reinsurance arrangement and issuances of catastrophe bonds, etc. (4) The Company maintained its rating management system. The Company received ratings from S&P Global Ratings and A.M. Best, and applied rating methods and models in its daily operation. The Company sought to meet the requirements of such ratings while improving its operation management and risk management. Before conducting major business activities, the Company also fully assessed the impact of such activities over its ratings, so as to prevent and mitigate significant potential risks timely.

Establishment and Sound Operation of Internal Control System

During the Reporting Period, the Company implemented the following measures to continuously enhance internal management effectiveness: (1) The Company carried out internal control management activities in accordance with systems such as the management rules for internal control and through using internal control matrix, internal control management information system and other tools to perform routine follow-up evaluation in respect of major regulatory requirements, changes in internal policies as well as major decisions in operation or management to dynamically identify the changes of risk factors in internal control, and took responding measures in a timely manner. (2) The Company carried out internal control evaluation on a regular basis and arranged subsidiaries to carry out self-examination of internal control and compliance on key areas. For internal control weak areas identified, the Company facilitated timely rectification. (3) The Company dynamically adjusted and optimised the authorisation system, improved the important authorisation documents, and clearly identified the approval authority and decision-making process on all levels. (4) The Company continuously strengthened the establishment of rules and regulations, facilitated its subsidiaries to launch review on rules and regulations, and conducted specific assessments on the applicable scope of measures of Group Company, so as to enable the systems to effectively match with the strategies and organisational structure of the Company. (5) The Company improved the assessment system for its subsidiaries' internal control and compliance, and further strengthened the management of internal control and compliance. (6) The Company promoted the philosophy and knowledge of internal control through various methods such as internal and external trainings, advocacy of rules and daily face-to-face communication which enhanced the awareness of internal control among the employees. (7) The Company organised financial personnel, internal control management personnel and internal audit personnel to receive relevant professional trainings and provided sufficient training budget, so as to continuously improve the professional skills and comprehensive capability of these personnel.

Procedures for Handling and Disclosing Inside Information and Internal Control Measures

The procedures and internal control measures for the identifying, handling, and disclosing inside information by the Company include: (1) formulating and implementing relevant supporting systems, including the Provisional Measures Governing Information Disclosure of China Reinsurance (Group) Corporation, by the Board, and gradually establishing comprehensive process of reporting, identifying, and disclosing inside information to ensure that the disclosure of inside information is on a timely basis and in compliance, (2) by means of training and advocating, fully informing relevant staffs, including members of the Board, the Board of Supervisors, and the management, of the obligations on information disclosure as stipulated under the Hong Kong Securities and Futures Commission's Guidelines on Disclosure of Inside Information and Hong Kong Listing Rules, and (3) dispatching data to specific personnel on a need-to-know basis, putting emphasis on the prohibition of unauthorised use of confidential or inside information, and conducting the confidential work preceding the disclosure of insider information if necessary.

Evaluation of Effectiveness of Risk Management and Internal Control System

According to the Guidelines on Risk Management of Insurance Companies (Bao Jian Fa [2007] No. 23) and the Guidelines for Supervision on Consolidation of Accounts of Insurance Groups (Bao Jian Fa [2014] No. 96), the Company comprehensively analysed and evaluated its risk management system in 2019. The evaluation involved various types of risks faced by the Company. The emphasis was on the evaluation of the implementation of risk management framework, management mechanisms of various types of risk and risk management process in all types of risk management. The evaluation found that the risk management system of the Company is well operated. The Board and the management approved of the effectiveness of the risk management system.

In accordance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and related guidelines, Basic Rules for the Internal Control of Insurance Companies (Bao Jian Fa [2010] No. 69) and the requirements of the Hong Kong Listing Rules, in light of the actual situations of the Company's internal control system, the Company carried out internal control assessment for 2019, and reviewed the design and operational effectiveness of the internal control systems of the Company and its subsidiaries covering all important aspects including financial control, operational control and compliance control. The Company focused on major business matters, high-risk areas and the Company's capabilities in response to changes of internal and external environments through comprehensive use of individual interviews, walk-through tests, material reviews and special seminars, etc.

The Board and the management have confirmed that control systems are sufficient and effective. Due to the limitations of the internal control and the technical means for internal control assessment, there might still be risks and deficiencies. The Company will continue to optimise its internal control system and strive to assure legal compliance of operation, asset security as well as authenticity and completeness of the financial reports and related information to ensure the fulfilment of its strategic objectives.

BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors adhered to the requirements of the PRC Company Law and the Articles of Association, earnestly performed its duties of supervision, enhanced the focus on significant events of the Company and the supervision over the performance of the respective duties by the Directors and senior management, carried out relevant financial supervision and inspection and made proposals with respect to the deepening of implementation of strategies and the prevention of business risks to the Board of Directors and the management in order to effectively protect the interests of the Company, shareholders and employees.

Composition

During the Reporting Period, the Board of Supervisors comprised five members, including:

Chairman:	Zhang Hong (shareholder representative Supervisor)
Supervisors:	Zhu Yong (shareholder representative Supervisor), Zeng Cheng (shareholder representative Supervisor), Qin Yueguang (employee representative Supervisor), Li Jingye (employee representative Supervisor)

Employee representative Supervisors are elected through elections at staff representative assembly, and non-employee representative Supervisors are elected through elections at the shareholders' general meetings. The term of office of Supervisors is three years and Supervisors may serve consecutive terms if re-elected.

Duties and Responsibilities

The Board of Supervisors shall be responsible to the shareholders' general meeting, supervise the Company's financial position and compliance, as well as supervise performance of duties and responsibilities by the Directors and senior management and other relevant circumstances.

The primary duties of the Board of Supervisors include (but not limited to): (1) reporting its work to the shareholders' general meeting; (2) monitoring and examining the Company's financials; (3) supervising the conduct of the Directors and senior management in their performance of duties and proposing the removal of Directors and senior management who have contravened any of the PRC laws, administrative regulations, regulatory requirements, the Articles of Association or resolutions of the shareholders' general meeting; (4) demanding rectification from Directors or any senior management when the acts of such persons are harmful to the Company's interest; (5) proposing to convene an extraordinary general meeting and convening and presiding over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting; (6) proposing resolutions at the shareholders' general meeting; (7) representing the Company in negotiations with a Director and bringing an action against a Director or senior management pursuant to the PRC Company Law and the Articles of Association; (8) formulating the rules of procedure of the Board of Supervisors and the working rules of specialised committees under the Board of Supervisors; (9) reviewing financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board to the shareholders' general meeting; if there is any doubt, engaging certified public accountants and practicing auditors in the name of the Company to review such financial information; (10) nominating independent Directors; and (11) exercising other duties specified under the PRC laws, administrative regulations, regulatory requirements or the requirements of Articles of Association and authorised by shareholders' general meetings.

Summary of the Work Undertaken

During the Reporting Period, the Board of Supervisors convened four meetings, reviewed and considered eight resolutions and received 12 reports. The Performance Supervision and Inspection Committee of the Board of Supervisors convened four meetings, while the Financial Supervision and Inspection Committee convened one meeting.

Attendance records of the meetings of the Board of Supervisors are as follows:

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/eligible to attend	Percentage of attendance by proxy (%)
Zhang Hong	4/4	100	0/4	0
Zhu Yong	4/4	100	0/4	0
Zeng Cheng	4/4	100	0/4	0
Qin Yueguang	4/4	100	0/4	0
Li Jingye	4/4	100	0/4	0

Please refer to the section "Report of the Board of Supervisors" in this annual report for the work of the Board of Supervisors for the year 2019.

DUTIES AND RESPONSIBILITIES OF THE SENIOR MANAGEMENT

According to the Articles of Association, senior management refers to the Company's President, Vice President, Chief Financial Officer, Board Secretary and other management staffs confirmed by the Board. Senior management is responsible for the Company's operation and management, organisation and implementation of the Board resolutions, implementation of the operation and investment plan approved by the Board, preparation of plans for the establishment of the internal management structure and basic management system as well as formulation of special rules and regulations. The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to entering into any significant transactions by the management. During the Reporting Period, based on the development strategies of the Company, the senior management actively conducted various operation and management work and effectively implemented the operation plan and financial budget approved by the Board, leading to stable and healthy development of all business segments.

JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun, as a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, during the Reporting Period, the Company also engaged Ms. Ng Sau Mei, an associate director of TMF Hong Kong Limited, as a joint company secretary of the Company to assist Ms. Zhu Xiaoyun to perform her duties as a joint company secretary of the Company. The primary contact person of Ms. Ng Sau Mei in the Company is Ms. Zhu Xiaoyun.

During the Reporting Period, Ms. Zhu Xiaoyun and Ms. Ng Sau Mei had undertaken no less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

AUDITORS' FEES

During the Reporting Period, the Company appointed PricewaterhouseCoopers ZhongTian LLP, PricewaterhouseCoopers and their organizational members to provide audit and non-audit services. The Group shall pay RMB10.7380 million as the service fee for audit and review of financial statements, and the Company shall pay RMB2.2428 million as the fee for the consultancy service for the equity incentive scheme of core management of Chaucer and pay RMB3.9800 million as the service fee for the consultancy project of financial integration of Chaucer.

ARTICLES OF ASSOCIATION

On 24 October 2017, the Company convened the 2017 second extraordinary general meeting for amendment to the Articles of Association according to the overall requirement on incorporation of Party-building work into the Articles of Association and based on the actual circumstances of the Company, details of which are set out in the Company's announcement and circular dated 28 August 2017 and 8 September 2017. On 28 June 2018, the 2017 annual general meeting was convened by the Company. The Company amended the Articles of Association in accordance with the Guidance on Articles of Association for Insurance Companies. Details of the amendments are set out in the Company's announcement and circular dated 28 February 2018 and 14 May 2018.

In January 2019, the Company received "Approval Regarding the Amendment to the Articles of Association of China Reinsurance (Group) Corporation" (Yin Bao Jian Fu [2019] No. 68) from the CBIRC. The CBIRC approved the revised Articles of Association. Details are set out in the Company's announcement dated 21 January 2019.

DIVIDEND POLICY

On 21 July 2016, the Board of the Company considered and approved the Resolution on the Dividend Policy of China Reinsurance (Group) Corporation, agreeing that the Company will formulate the profit distribution plan of the Company in accordance with the statutory and regulatory requirements for insurance companies in the PRC imposed by regulatory authorities (including the statutory solvency requirements of the insurance regulatory authority in the PRC and statutory and regulatory restrictions on payment of dividends of the Company), interests and desires of the shareholders of the Company, the financial position (including operating results and cash flows) of the Group, the business development needs and plans of the Group for future development and other factors that the Company deems relevant. In consideration of the above factors and subject to the laws, regulations and regulatory requirements in effect at that time, the Company shall distribute dividends once a year and the profits distributed in form of cash shall be no less than 30% of the consolidated net profit attributable to the equity shareholders of the Company realised for the year. For details of the dividend policy of the Company, please refer to the Company's announcement dated 21 July 2016.

INVESTOR RELATIONS

The Company is committed to establishing and maintaining its good relationship with its investors, in strict compliance with the relevant provisions of full disclosure of information to investors, and enhancing communication with investors via different channels, actively and efficiently providing investors with services to enhance positive interaction and information exchanges between investors and the Company. With enhanced understanding and trust of the Company by investors and the open and transparent market image of the Company, the value of the Company can be fully reflected in the market.

In 2019, the Company increased its efforts in promotion of values in the market, actively expanded market communication channels, launched over 90 on-site investor relations activities for the entire year. In particular, the Company held four large-scale investors' events including the results briefing, the investors' forums and investors' communication meetings by making use of synchronised "live + conference call + online live stream" method for the first time, with the number of participants having a year-on-year increase of 274%; the Company met over 1,600 institutional investors and analysts for the entire year, representing a year-on-year increase of over 220%. The efficient interactions further deepened the market recognition regarding the investment value of the Company. Promotional materials in relation to the results briefings and corporate presentations have been published on the website of the Company for investors' reference.

The Company has designated the Office of the Board as the investor relations department with contacts including telephone number and email address. Please refer to the "Investor Relations" section on the website of the Company (www.chinare.com.cn) for detailed contact information. The section is specially designed to provide regularly updated information of the Company.

COMPLIANCE WITH SANCTIONS RELATED UNDERTAKINGS

We undertook to the Hong Kong Stock Exchange that we would not use the proceeds from the global offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctions targets. In addition, we have no present intention to undertake any future business that would cause the Group, the Hong Kong Stock Exchange, Hong Kong Securities Clearing Company Limited, HKSCC Nominees Limited or the shareholders to violate or become a target of sanctions laws of the United States, the European Union, the United Nations or Hong Kong. If we believe that the transactions the Group entered into in the sanctioned countries would expose the Group or shareholders and investors to risks of being sanctioned, the Company will publish such announcements as appropriate and in accordance with the Hong Kong Listing Rules and the SFO (the "Sanctions Related Undertakings"). During the Reporting Period, we were in strict compliance with its sanctions risk management policy to prohibit the conducting of any business that may cause the Group and relevant stakeholders to be subject to sanctions, and arranged trainings on the sanctions risk management. The Directors of the Company have confirmed that we have complied with the Sanctions Related Undertakings and will continue to do so in future daily operation. In the view that the sanction policies may keep adjusting, we will adjust the scale of business in due course subject to the sanction laws in the United States, the European Union, the United Nations or Hong Kong and the sanction risks of the Group and the stakeholders in order to achieve better returns for the shareholders and investors.

REPORT OF THE BOARD OF DIRECTORS

The Board presents its annual report of the Company for the year ended 31 December 2019, together with the audited financial statements of the Group for the year ended 31 December 2019.

BUSINESS REVIEW

Principal Business

We are currently the only domestic reinsurance group in the PRC and mainly conduct P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses through our subsidiaries.

Business Review and Analysis of Key Financial Indicators

Please refer to the section headed "Management Discussion and Analysis" in this annual report.

Environmental Policies and Performance of the Company

China Re Group respects and values the legitimate interests of all employees, and strives to create a workplace with equity for employees. We advocate the concept of greening and environment protection and attach great importance to enhancing employees' awareness of energy-saving and environment-protection, and are committed to providing our employees with a safe and comfortable working environment. The Group accelerates the transformation to low-carbon operation by implementing "Digital China Re" Strategy, and has made significant progress in aspects of business development promoted by new technologies such as cloud computing, blockchain, artificial intelligence, big data and green office as well as enhancement of customers' information security. We stick to the principles of openness, fairness, justness, honesty and effective procurement, and prefer to purchase energy-saving and environmentally-friendly products. In responding to climate changes, the consumption of water, electricity, coal, gas and other energy is reduced by strengthening the management of energy saving and consumption reduction in office areas. The Group encourages the use of videoconferences and teleconferences and reduces the use of vehicles owned by the Group and business trips in order to lower carbon emission and energy consumption arising from business travel. In addition, the Group has established a sound safety management system and organised safety supervision, inspection, promotion and training activities to enhance employees' awareness of safety. We prohibit smoking at all workplaces and emphasise waste sorting and disposal to create a healthy and safe working environment. The Company is preparing the Corporate Social Responsibility Report in accordance with the requirements of Appendix 27 of the Hong Kong Listing Rules and will publish it on the websites of the Hong Kong Stock Exchange and the Company in due course.

Compliance with Relevant Laws and Regulations

As a joint-stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Hong Kong Stock Exchange, the Company is subject to the regulation of the PRC Company Law, the PRC Insurance Law, as well as the Hong Kong Listing Rules, the SFO and other relevant domestic and overseas laws and regulations.

The Company is subject to the following main regulatory requirements:

The insurance regulatory authority and other government departments in the PRC may conduct on-site or off-site inspections or investigations on compliance with the PRC laws and regulations in respect of our state-owned asset management, financial condition and business operation, solvency margin, tax payment, foreign exchange management, and labour and social welfare from time to time.

Under the Measures for the Administration of Insurance Group Companies (Provisional) and the Administrative Regulations for Insurance Companies, the insurance regulatory authority in China conducts both on-site and off-site inspections on insurance institutions for supervision and management. The on-site inspections on insurance institutions by the insurance regulatory authority in China may focus on the corporate management level, administrative examination and approval, filing and reporting, reserves, solvency margin, use of funds, business operations and financial condition, transactions with insurance intermediaries, information system construction, appointments of directors, supervisors and senior management and other matters which the insurance regulatory authority in China considers material.

Meanwhile, as a company listed on the Main Board of the Hong Kong Stock Exchange, the Company is therefore subject to the Hong Kong Listing Rules and shall comply with relevant rules under the SFO, including but not limited to the following obligations: maintaining a register of interests and short positions in shares and a register of interests and short positions in shares held by Directors, Supervisors and chief executive, disclosing inside information, etc.

The Group has implemented internal controls to ensure compliance with such laws and regulations. As of the end of the Reporting Period, as far as we were aware, there was no legal and/or regulatory procedure or dispute which, in the opinion of the Directors, may have a material adverse effect on our business, financial condition, and operating results or prospects.

Principal Risks and Uncertainties

Our business involves P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses, etc. Although we have good risk management and control capabilities and all along uphold the concept of sustainable and stable operation, there are still a number of risks and uncertainties involved in our business that are beyond our control. We believe the principal risks we may face in future include: insurance risk, market risk, credit risk, operational risk, strategic risk, reputation risk and liquidity risk. The future uncertainties include:

1. As the global economic outlook faces challenges with a complicated international environment, we may face uncertainties in underwriting and investment businesses;

2. The COVID-19 pandemic has spread worldwide so far, increasing the uncertainty to our business operation;

3. The surplus underwriting capacity of the reinsurance industry and the occurrence of domestic and overseas catastrophic events will have impacts on our underwriting business.

Non-adjusting Post Balance Sheet Date Events

Details are set out in Note 62 to the financial statements.

Future Business Development of the Group

The Group determined its “One-Three-Five” strategy of “One Core, Three Breakthroughs and Five Progresses”. “One Core” refers to taking reinsurance as a core. “Three Breakthroughs” refers to making breakthroughs in the aspects of innovation, synergy and fission. And “Five Progresses” refers to making progresses in scale, layout, technology, structure and culture. Through the three strategic fulcrums of “platform operation, technology advancement and globalisation”, the Group aims to become a comprehensive reinsurance group with reinsurance as the core business in the immediate and medium term, and gradually moves towards a financial and insurance group featured in reinsurance in the long run with a commitment to providing long-term and competitive returns to shareholders.

REPORT OF THE BOARD OF DIRECTORS

RESULTS AND PROFIT DISTRIBUTION

The Group's profit for the year ended 31 December 2019 and the financial performance of the Group as at that date are set out in the financial statements from pages 131 to 277.

Final Dividend

The Board recommends the payment of a final dividend for the year ended 31 December 2019 of RMB0.044 per share (tax inclusive), totalling approximately RMB1,869 million (the "2019 Final Dividend"). The 2019 Final Dividend is subject to the approval of shareholders of the Company at the 2019 annual general meeting, and is expected to be paid to the shareholders on Thursday, 20 August 2020 whose names appear on the register of members of the Company as at Sunday, 5 July 2020 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2019 annual general meeting published by China Foreign Exchange Trade System as authorised by the People's Bank of China.

The above profit distribution scheme will not result in a lower indicator of the Company's relevant solvency adequacy ratio than the regulatory requirements.

Withholding and Payment of Income Tax on the Dividends Paid to Shareholders

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the 2019 Final Dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between mainland China and Hong Kong (Macau). In this regard, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on the dividends for the individual holders of H shares:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of the dividend.

- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual holders of H shares in the distribution of the dividend.

If individual holders of H shares consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, a letter of entrustment and all application and relevant proving materials showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related treatments. If individual holders of H shares do not provide the Company with the relevant proving materials, they could go through the relevant procedures on their own or by attorney in accordance with the relevant provisions stipulated in the tax treaties. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning the Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

The cash dividends for the investors of H shares of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H share companies will not withhold and pay the income tax of dividends received by domestic enterprise investors from investing in the company of H shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and those domestic enterprise investors shall declare and pay the relevant tax themselves.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be the same as those for the holders of H shares.

Should the holders of H shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares.

REPORT OF THE BOARD OF DIRECTORS

SHARE CAPITAL

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total number of share capital of the Company was 42,479,808,085 shares. Details are as follows:

No.	Name of shareholder	Class of shares	Number of shares	Percentage of total share capital (%)
1	Central Huijin Investment Ltd.	Domestic shares	30,397,852,350	71.56
2	HKSCC Nominees Limited	H shares	6,665,288,580	15.69
3	Ministry of Finance of the PRC	Domestic shares	4,862,285,131	11.45
4	National Council for Social Security Fund	Domestic shares	540,253,904	1.27
5	Other H shareholders	H shares	14,128,120	0.03
Total			42,479,808,085	100

Note: 1. The data disclosed above were mainly based on the information provided on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The shares of the Company held by HKSCC Nominees Limited are on behalf of its clients and do not include the shares held by other H shareholders.

PUBLIC FLOAT

The Company applied for and has been granted by the Hong Kong Stock Exchange a waiver at the time of listing regarding the lower percentage of public float. Based on the information that was publicly available to the Company as at the Latest Practicable Date and within the knowledge of the Directors, from the Listing Date to the Latest Practicable Date, the Company's public float was 15.72%, maintaining a sufficient public float as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules. For details of the above waiver, please refer to the section headed "Waivers from Compliance with the Listing Rules – Public Float" in the Prospectus of the Company.

DISTRIBUTABLE RESERVES

As of the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders was RMB4,410 million. Details are set out in Note 61 to the financial statements.

BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

During the Reporting Period, changes in the buildings, equipment and investment properties of the Group are set out in Note 34 and Note 33 to the financial statements respectively.

On 15 December 2018, China Continent Insurance acquired a property. For details, please refer to the section headed "Management Discussion and Analysis".

Save as disclosed above, as at the end of the Reporting Period, the Group did not own any other properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5%.

RETIREMENT BENEFITS

The Group provides retirement benefits to employees, including enterprise annuity and defined benefit retirement plan. In 2019, the enterprise annuity contribution amounted to approximately RMB52.46 million and its defined benefit retirement plan contribution was approximately RMB5.50 million. Total annual enterprise annuity contribution shall be provided at a certain percentage of the total annual employee salaries, and defined benefit retirement plan contribution will be paid from the accrued defined benefit retirement liabilities of the Group. Provided that employees are dismissed or break laws or regulations, unvested enterprise annuity contributions will be transferred back to the Company's enterprise annuity. The amount of forfeited contributions used to reduce the existing level of contributions is not material. During the Reporting Period, the Group's obligations under the defined benefit plans were calculated by an independent actuary, Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd. Details are set out in Notes 2(31)(b) and 48(1) to the financial statements.

REMUNERATION OF SENIOR MANAGEMENT[1]

During the Reporting Period, details of the remuneration of Directors and Supervisors are set out in Note 14 to the financial statements. The range of remuneration of non-director senior management in the Group is set out as follows:

Range of remuneration	Number of individuals
RMB0–RMB500,000	2
RMB500,001–RMB1,000,000	1
RMB1,000,001–RMB1,500,000	0
RMB1,500,001–RMB2,000,000	0
RMB2,000,001–RMB2,500,000	1
RMB2,500,001–RMB3,000,000	0
RMB3,000,001–RMB3,500,000	1
RMB3,500,001–RMB4,000,000	0

HIGHEST PAID INDIVIDUALS[2]

Details of the remuneration of five highest paid individuals of the Group during the Reporting Period are set out in Note 15 to the financial statements. The amount of remuneration of the five highest paid individuals for 2019 is on a pre-tax basis. The five individuals are all employees of an overseas insurance agency Chaucer, which was newly acquired by the Group in 2018. Their remunerations have been determined in accordance with local market practices and governed by related internal systems. At the same time, the amount of remuneration has included a special retention bonus implemented by the Group aimed at maintaining the stability of the core team of Chaucer.

Notes:

1. The remuneration standards for the Chairman, executive Directors, Chairman of the Board of Supervisors and senior management of the Company are determined in accordance with the relevant requirements of the Ministry of Finance and the Group Company. As of the Latest Practicable Date, the remuneration standards for the above personnel for 2019 had not been finally determined, and such remuneration data were estimated figures (including income benefits). The remuneration of senior management is determined based on their actual term of office.

2. As of the Latest Practicable Date, the Group had not completed the payment of performance bonus for the year 2019 and such remuneration data were estimated figures.

MAJOR CLIENTS

The information on the proportion from major clients of the insurance business of the Group during the Reporting Period is set out below:

	Percentage of insurance income of the Group (%)
Largest insurance client	8.71
Top five insurance clients in total	26.54

Since the top five clients of the Group are financial and insurance institutions, shareholders of the Company, namely the Ministry of Finance and Central Huijin, hold interests in certain institutions. None of the Directors, their close associates or any other shareholder who, as far as the Directors are aware, holds 5% or more share capital of the Company, has any interest in any of the above clients.

RELATIONSHIP WITH CLIENTS

The Group is of the view that the benign relationship with clients is very important. During the Reporting Period, there was no material dispute between the Group and clients.

RELATIONSHIP WITH EMPLOYEES

The Group builds a comprehensive training system as well as a scientific and reasonable remuneration incentive system. The Group sets up multiple channels for employees to develop themselves, attaches great importance to physical and mental health of employees and harmony of their families, so as to improve their happiness index.

MAJOR SUBSIDIARIES

As at the end of the Reporting Period, the Company directly controlled eight major subsidiaries, namely China Re P&C, China Re Life, China Continent Insurance, China Re AMC, Huatai Insurance Agency, China Re UK, China Re Underwriting Agency Limited and China Re Hong Kong Company Limited. Details are set out in Note 31(1) to the financial statements.

PRE-EMPTIVE RIGHT

During the Reporting Period, the shareholders of the Company had no pre-emptive right pursuant to the relevant laws of the PRC and the Articles of Association.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ISSUANCE OF DEBENTURES

In order to broaden the sources of foreign exchange funds and optimise asset allocation, China Re Group successfully issued notes with aggregate principal amounts of US$800 million and US$700 million (the "Notes") through China Reinsurance Finance Corporation Limited, respectively on 9 March 2017 and 30 June 2017. The two tranches of Notes were consolidated into a single series. The interest rate was 3.375% per annum payable semi-annually on 9 March and 9 September of each year. The maturity date of the Notes is 9 March 2022, unless earlier redeemed in accordance with the terms thereof.

On 17 August 2018, China Re P&C successfully issued the capital supplementary bonds with a total principal amount of RMB4,000 million publicly in the National Interbank Bond Market. The capital supplementary bonds are ten-year fixed-rate bonds, with an annual coupon rate of 4.97% for the first five years, and China Re P&C has conditional redemption rights at the end of the fifth year. In the event that China Re P&C does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.97% in the remaining five years. On 29 November 2018, China Re Life successfully issued the capital supplementary bonds with a total principal amount of RMB5,000 million publicly in the National Interbank Bond Market. The capital supplementary bonds are ten-year fixed-rate bonds, with an annual coupon rate of 4.80% for the first five years, and China Re Life has conditional redemption rights at the end of the fifth year. In the event that China Re Life does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.80% in the remaining five years. The funds raised by the issuance of the capital supplementary bonds will be used to supplement the capital of China Re P&C and China Re Life in accordance with the applicable laws and regulatory approvals so as to improve their solvency, create conditions for the sound business development of China Re P&C and China Re Life business, and support the sustainable and steady development of their business.

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB27.25 million in aggregate.

DIRECTORS

As of the Latest Practicable Date, the Directors of the Company were as follows:

Executive Directors

Mr. Yuan Linjiang (Chairman)
Mr. He Chunlei (Vice Chairman)
Mr. Ren Xiaobing

Non-executive Directors

Ms. Lu Xiuli
Mr. Wen Ning
Ms. Wang Xiaoya
Mr. Liu Xiaopeng

Independent Non-executive Directors

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

For details of Mr. Shen Shuhai's retirement and the appointments of Mr. Wen Ning, Ms. Wang Xiaoya and Mr. Liu Xiaopeng, please refer to the announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company dated 28 March 2019, 21 June 2019 and 21 October 2019 respectively.

REPORT OF THE BOARD OF DIRECTORS

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with the Directors and Supervisors. During the Reporting Period, none of the Directors or Supervisors entered into any service contract with the Company or its subsidiaries which could not be terminated within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the Reporting Period, none of the Directors, Supervisors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Company, to which the Company or any of its subsidiaries was a party.

PERMITTED INDEMNITY

Subject to the relevant statutes, every Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

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

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) upon the listing of H shares which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions upon the listing of H shares, or are required to be recorded in the register required to be kept under Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, none of the Company or its subsidiaries had entered into any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

During the Reporting Period, there were no relationships in respect of finance, business, or family among the Directors, Supervisors and senior management of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Hong Kong Listing Rules.

SHARE INCENTIVE SCHEME FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Company had not formulated or implemented any share incentive scheme for the Directors, Supervisors and senior management.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were, either directly or indirectly, interested in 5% or more of the nominal value of any class of share capital.

Name of shareholders	Nature of interest and capacity	Class	Number of shares	Approximate percentage of interests of the Company (%)	Approximate percentage of relevant class of shares of the Company (%)
Central Huijin Investment Ltd.	Beneficial owner	Domestic share	30,397,852,350 (Long position)	71.56	84.91
Ministry of Finance of the PRC	Beneficial owner	Domestic share	4,862,285,131 (Long position)	11.45	13.58
National Council for Social Security Fund	Beneficial owner	H share	607,219,700 (Long position)	1.43	9.09
		Domestic share	540,253,904 (Long position)	1.27	1.51
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: 1. The information disclosed above were mainly based on the information provided on the website of the Hong Kong Stock Exchange at www. hkexnews.hk.

2. According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

3. Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.

4. 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, so far as the Directors were aware, no other person (other than the Directors, Supervisors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which are required to be disclosed or recorded in the register of the Company to be kept under Section 336 of the SFO.

ADMINISTRATION AND MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any administration and management contracts with respect to the entire or principal business of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the audited financial statements of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

AUDITORS

In accordance with the relevant requirements of the Administrative Measures for Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional)(《金融企業選聘會計師事務所招標管理辦法（試行）》)(Cai Jin [2010] No. 169) issued by the Ministry of Finance and the Financial and Accounting Work Standards for Insurance Companies(《保險公司財會工作規範》)(Bao Jian Fa [2012] No. 8) issued by the former CIRC in relation to the service term of auditors continuously engaged by an financial and insurance company, on 20 June 2016, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and overseas auditors of the Group respectively, and were re-appointed at the 2016 annual general meeting, the 2017 annual general meeting and the 2018 annual general meeting for three consecutive years with a term till the conclusion of the 2019 annual general meeting. The Group did not change its auditors in the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers.

By order of the Board
China Reinsurance (Group) Corporation

Yuan Linjiang
Chairman

Beijing, the PRC
30 March 2020

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, all members of the Board of Supervisors had diligently and prudently performed their duties, pragmatically and efficiently carried out the work in accordance with the relevant requirements of the PRC Company Law, the Articles of Association and other laws and regulations, regulatory requirements, internal rules and regulations of the Company, actively and effectively protected the interests of shareholders and the Company and played an effective role in constructive supervision, in order to help and serve the realization of the "One-Three-Five" Strategy of the Company.

MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIALISED COMMITTEES

During the Reporting Period, the Board of Supervisors held four meetings, considered eight proposals and received 12 reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held four meetings and considered four proposals; the Financial Supervision and Inspection Committee under the Board of Supervisors held one meeting and considered two proposals. All Supervisors and members of the specialised committees attended all the meetings above.

On 30 January 2019, the third meeting of the fourth session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Report of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2018, were considered and unanimously approved, and four reports, including the Report on Operation Plan of China Reinsurance (Group) Corporation for the Reporting Period, were received.

On 4 April 2019, the fourth meeting of the fourth session of the Board of Supervisors was convened, during which three resolutions, including the Resolution of the Report on the Supervision of Performance Remuneration and Business Expenses of the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2018, were considered and unanimously approved, and four reports, including the Operation Report of China Reinsurance (Group) Corporation for the Year 2018, were received.

On 31 May 2019, the fifth (extraordinary) meeting of the fourth session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Report of the Assessment of Duty Performance by the Board of Supervisors of China Reinsurance (Group) Corporation for the Year 2018, were considered and unanimously approved, and three reports, including the Performance Report of the Directors of China Reinsurance (Group) Corporation for the Year 2018, were received.

On 27 September 2019, the sixth meeting of the fourth session of the Board of Supervisors was convened, during which the Resolution of the Report on the Supervision of Performance Remuneration and Business Expenses of the Board of Supervisors of China Reinsurance (Group) Corporation for the First Half of 2019 was considered and unanimously approved, and the Operation Report of China Reinsurance (Group) Corporation for the First Half of 2019 was received.

REPORT OF THE BOARD OF SUPERVISORS

PERFORMANCE MONITORING

Through attending shareholders' general meetings, the meetings of the Board and its specialised committees, members of the Board of Supervisors continuously paid attention to the Group's overall operation and management and related results, closely monitored the financial and internal control risks of the Group and supervised the performance of duties by Directors and senior management. The Board of Supervisors believes that the Directors and senior management of the Company performed their duties diligently and in compliance with the Articles of Association.

In accordance with the requirements of the Articles of Association and in conjunction with the requirements of shareholders, the Board of Supervisors organised the assessment of duty performance for the year 2018 and issued an assessment opinion report. In accordance with the relevant working system requirements, the Board of Supervisors organised and completed the supervision and inspection on performance remuneration and business expenses for the year 2018 and the first half of 2019 and issued the related working report.

FINANCIAL MONITORING

During the Reporting Period, the Board of Supervisors continued to carry out a monthly monitoring and analysis on the consolidated and segment financial conditions of the Group, paid attention to tendency issues, abnormal situations and budget implementation, carefully reviewed the annual final accounts and profit distribution report for the year. It strengthened the communication with external auditors in respect of annual financial report audit and interim financial report review, reminding them of the key issues of auditing, and put forward specified recommendation.

SUPERVISION WORKS ON INTERNAL RISK CONTROL AND OTHER AREAS

During the Reporting Period, the Board of Supervisors received reports on the meetings of the Board of Supervisors or held special communication meetings to understand the Group's work in risk management, internal control compliance, strategic planning, related-party transactions, internal audit, and other areas. It especially exchanged opinions on relevant circumstances of the data management and control of China Re Group, the five-year business plan and the integration of international business of Chaucer, the implementation of "Digital China Re" strategy and other matters and provided opinions and suggestions on the related works. The Board of Supervisors continued to promote the implementation of the supervision and communication mechanism of the Group Company's supervision departments, exerted the joint effort of the supervision departments, and further improved the effectiveness of supervision.

REPORT OF THE BOARD OF SUPERVISORS

PERFORMANCE OF DUTIES BY THE SUPERVISORS

During the Reporting Period, all Supervisors actively performed their supervisory duties, attended all meetings of the Board of Supervisors and its specialised committees, and prudently expressed their opinions and participated in the voting. The Supervisors actively participated in the supervision and inspection work organised by the Board of Supervisors. The Supervisors also actively participated in the internal and external training activities of the Company and continuously improved their performance ability and business level. The employee representative Supervisors participated in the employee representative assembly of the Company and presented annual reports on their works. The Board of Supervisors believes that all Supervisors performed their duties diligently in accordance with the PRC Company Law, the Articles of Association and other laws and regulations, regulatory requirements, internal rules and regulations of the Company and fulfilled the monitoring role of the Board of Supervisors.

By order of the Board of Supervisors
China Reinsurance (Group) Corporation

Zhang Hong
Chairman of the Board of Supervisors

Beijing, the PRC
20 March 2020

Deloitte. 德勤

To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

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

China Reinsurance (Group) Corporation (the "Group Company", the "Company") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to quantify and report on embedded value of the Group Company's and its subsidiaries' ("China Re Group", the "Group") life and health reinsurance business, covering the 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 at 31 December 2019. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Consulting", "we").

The report summarises the scope of work carried out by Deloitte Consulting, basis of report, reliance and limitations, valuation methodologies and results.

Scope of Work

The scope of our work is summarised as follows：

- Quantifying embedded value of China Re Group as at 31 December 2019;
- Quantifying value of one year's new business underwritten by the Group during the 12 months prior to 31 December 2019;
- Reviewing the assumptions used for embedded value and value of one year's new business valuation;
- Performing sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Performing movement analysis of embedded value from 31 December 2018 to 31 December 2019.

EMBEDDED VALUE

Basis of Report, Reliance and Limitation

This report has been prepared by Deloitte Consulting solely for the information and use of China Reinsurance (Group) Corporation for the purpose set out in the introduction of this report, including the valuation and reporting under the requirements of "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" published by the China Association of Actuaries and industry practice for publicly listed companies in Hong Kong. Accordingly, we accept no responsibility or liability to any other party.

In performing our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 31 December 2019.

The calculation of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions cannot be controlled by China Re Group. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

On behalf of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

Eric Lu
FIAA, FCAA

Yu Jiang
FSA, FCAA

1. Definitions and Methodology

1.1 Definitions

A number of specific terminologies are used in this report. They are defined as follows:

- Embedded Value ("EV"): this is the sum of the adjusted net worth and value of in-force business less the cost of required capital as at the valuation date;

- Adjusted Net Worth ("ANW"): this is the fair value of assets attributable to shareholders in excess of liabilities of the Covered Business as at the valuation date;

- Value of In-Force Business ("VIF"): this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- Cost of Required Capital ("CoC"): this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- Value of One Year's New Business ("1-year VNB"): this is equal to the present value as at the policy issue dates of the future cash flows attributable to shareholders from the business accepted during the 12 months prior to the valuation date and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of the business accepted.

1.2 Methodology

The China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. We determined the embedded value and the value of one year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

In this report, embedded value of China Re Group is defined as the sum of adjusted net worth of the Group and VIF of the Covered Business after the cost of required capital.

Since the Group does not hold 100% of all companies within it. ANW has excluded minority interests. As China Re Life 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 basis for the Covered Business;

- The asset value adjustments, which reflect the after-tax difference of market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

Value of in-force business after the cost of required capital is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date, less the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value). The calculation of cost of required capital should take into account the after-tax investment earnings on the assets backing such required capital.

Value of one year's new business after the cost of required capital is the present value as at the policy issue dates of the future cash flows attributable to shareholders from the business accepted during the 12 months prior to the valuation date and the corresponding assets, less the amount of capital supporting the corresponding new business required from shareholders at the policy issue date and the present value of future movements of such capital (end of period value less start of period value). The renewal for short-term reinsurance business with policy term of underlying policies less than or equal to one year is not included in the new business.

2. Results Summary

The embedded value and value of one year's new business results as at 31 December 2019 and the corresponding results as at prior valuation date are summarised as below:

Table 2.1 EV as at 31 December 2019 and 31 December 2018

(Unit: in RMB millions)

Valuation Date	31 Dec 2019	31 Dec 2018
Embedded Value		
Adjusted Net Worth	**91,031**	81,175
Value of In-Force Business before CoC	**10,880**	8,456
Cost of Required Capital	**(3,458)**	(2,896)
Value of In-Force Business after CoC	**7,422**	5,560
Embedded Value	**98,453**	86,735
of which：		
ANW of the life and health reinsurance business	**20,462**	16,361
VIF after CoC of the life and health reinsurance business	**7,259**	5,402
EV of the life and health reinsurance business	**27,721**	21,763

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

Note 2: Figures related to life and health reinsurance business only include business of China Re Life, which accounts for more than 99.5% of total life and health reinsurance business. The same applies in the tables below.

Table 2.2 1-year VNB for the 12 months up to 31 December 2019 and 31 December 2018

(Unit: in RMB millions)

Valuation Date	31 Dec 2019	31 Dec 2018
Value of One Year's New Business of the life and health reinsurance business		
Value of One Year's New Business before CoC	**2,865**	2,352
Cost of Required Capital	**(647)**	(1,011)
Value of One Year's New Business after CoC	**2,219**	1,341

3. Assumptions

The assumptions below are used for the valuation of embedded value and value of one year's new business as at 31 December 2019.

3.1 Risk Discount Rate

A 10.5% risk discount rate has been used to calculate the value of in-force business and value of one year's new business.

3.2 Investment Return Rates

The following table summarises the assumptions of investment return rates used to calculate the value of in-force business and value of one year's new business as at 31 December 2019:

Table 3.2.1 Assumption of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2019

	2020	2021	2022	2023-2029	2030+
Non asset-driven business	5.0%	5.0%	5.0%	5.0%	5.0%
Asset-driven business – Domestic Universal Life	6.0%	6.0%	5.0%	5.0%	5.0%
Asset-driven business – Domestic Other	6.0%	6.0%	6.0%	6.0%	5.0%
Asset-driven business – Overseas	6.0%	6.0%	6.0%	6.0%	5.0%

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

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

3.3 Policyholder Dividend

Policyholder dividend has been derived in accordance with the terms related to dividend accepted by the reinsurer as stipulated in the reinsurance contracts. The surplus of the participating business accepted is the sum of interest surplus and mortality surplus, and 70% of the corresponding surplus is assumed to be distributed to policyholders. The reinsurer is responsible for paying the amount of dividend according to the terms in the reinsurance contracts. Moreover, interest surplus is determined either based on the terms in the reinsurance contracts or the Group's assumptions for investment return rates.

3.4 Mortality and Morbidity

The assumptions of mortality and morbidity rates are based on the recent experience of China Re Group and the overall experience of China life and health insurance market. Mortality and morbidity assumptions vary by product categories.

3.5 Claim Ratio

The claim ratio assumptions are only relevant to short-term reinsurance business and YRT reinsurance business, and are determined on a contract-by-contract basis according to the claim experience of recent years.

3.6 Discontinuance Rates

The assumptions of discontinuance rates are determined based on the actual experience in recent years, current and future expectations, and the understanding of the overall China life and health insurance market. Discontinuance rate assumptions vary by product categories and premium payment types.

3.7 Expenses

The assumptions of expenses are determined based on recent experience, expense management and the expected future expense level of life and health reinsurance business. For per policy expense assumptions, the assumed annual inflation rate is 2%.

The commission rates, sliding scale commission rates and profit commission rates for short-term reinsurance business are determined according to recent experience on a contract-by-contract basis.

3.8 Tax

Currently, corporate income tax is assumed to be 25% of taxable profit. And some percentage of investment return is assumed to be tax free based on current experience and future expectation.

4. Sensitivity

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 31 December 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 4.1 Sensitivity test results of VIF and 1-year VNB as at 31 December 2019

(Unit: in RMB Millions)

Scenarios	VIF after CoC	1-year VNB after CoC
Base Scenario	7,259	2,219
Risk discount rate increased by 100 basis points	6,699	2,072
Risk discount rate decreased by 100 basis points	7,822	2,379
Annual investment return rates increased by 50 basis points	8,323	2,397
Annual investment return rates decreased by 50 basis points	6,148	2,039
Mortality and morbidity rates increased by 10%	7,204	2,218
Mortality and morbidity rates decreased by 10%	7,315	2,219
Discontinuance rates increased by 10%	7,130	2,164
Discontinuance rates decreased by 10%	7,389	2,275
Expenses increased by 10%	7,127	2,174
Expenses decreased by 10%	7,390	2,264
Combined ratio of short-term reinsurance contracts increased by 1 percentage point on absolute basis	6,905	2,120
Combined ratio of short-term reinsurance contracts decreased by 1 percentage point on absolute basis	7,609	2,318

5. Movement Analysis

The table below shows the movement analysis of the EV of China Re Group for the period from 31 December 2018 to 31 December 2019.

Table 5.1 Movement analysis of EV from 31 December 2018 to 31 December 2019

(Unit: in RMB Millions)

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2018	21,763	EV as at 2018 year end before model change
2	Model change	(149)	EV model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2018	21,614	EV as at 2018 year end after model change
4	Expected return on EV	2,034	Expected return on EV in the year of 2019
5	Impact of new business	2,695	Impact of new business in the year of 2019
6	Impact of market value adjustments and other adjustments	(78)	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	1,667	Difference between actual investment income and expected investment income in the year of 2019
8	Operating experience variances	361	Difference between actual operational experience and expected operational results in the year of 2019
9	Change in assumptions	(369)	Adjustments to assumptions at 31 December 2019
10	Others	292	
11	Capital injection and shareholder dividend payment	(495)	Capital injection to China Re Life and dividend paid to the Group Company by China Re Life
12	EV of life and health reinsurance business as at 31 December 2019	27,721	

EMBEDDED VALUE

No.	Item	Amount	Details
13	EV of other business of the Group as at 31 December 2018	64,972	
14	Profit from other business in the year of 2019	6,639	
15	Impact of market value adjustments and other adjustments	124	Changes from asset market value adjustments and other adjustments
16	Others	6	
17	Capital injection and shareholder dividend payment	(1,009)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2019	70,731	
19	EV of the Group as at 31 December 2019	98,453	

INDEPENDENT AUDITOR'S REPORT

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

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 277, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Significant insurance risk test – reinsurance contracts
- Valuation of insurance contract liabilities – long-term life and health reinsurance contract liabilities
- Valuation of insurance contract liabilities – claim reserves
- Valuation of unlisted equity instruments

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Significant insurance risk test – reinsurance contracts Refer to notes 2(26), 3(2)(a), 5 and 44 to the consolidated financial statements. The Group performed significant insurance risk test for its assumed reinsurance contracts to determine the classification of these contracts and the corresponding accounting treatment. When performing the quantitative test, the Group uses certain actuarial assumptions, such as loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution. The Group determines such assumptions based on its historical experiences and estimation on future development trends for its insurance products. For the year ended 31 December 2019, the gross written premiums for reinsurance contracts that passed the testing of significant insurance risk was RMB91.94 billion, representing 64.5% of the Group's total income. On the other hand, the contracts that did not pass the testing of significant insurance risk were recognised as investment contract liabilities and were measured at amortised cost of RMB22.07 billion, representing 7.4% of the Group's total liabilities as at year end. We focused on this area because the development of assumptions requires the use of significant management judgement.	We, with the assistance of our own actuarial experts, performed the audit procedures listed below. We obtained an understanding of the Group's policies and procedures of significant insurance risk test by performing inquiries of management and inspection of supporting documentation. We compared the policies and procedures adopted in management's test to the industry practice. On a sample basis, we checked the appropriateness of the actuarial assumptions, including loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution, applied by the management by comparing them to the Group's historical data. We also recalculated the Group's computation of the significant insurance risk test and checked the classification of the selected contracts according to the test result. Based on our audit procedures performed above, we found no material exception.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities – long-term life and health reinsurance contract liabilities	
Refer to notes 3(2)(b) and 45 to the consolidated financial statements. As at 31 December 2019, the Group had significant long-term life and health reinsurance contract liabilities of RMB83.20 billion, representing 27.8% of the Group's total liabilities. The valuation of long-term life and health reinsurance contract liabilities is determined using multiple complex models which were set up based on the terms of the Group's reinsurance contracts. The main actuarial assumptions adopted in the valuation models include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, and expense assumptions. The determination of assumptions used at the balance sheet date requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.	We, with the assistance of our own actuarial experts, performed the audit procedures listed below. We assessed the Group's methodology for calculating long-term life and health reinsurance contract liabilities against recognised actuarial practices. We assessed the reasonableness of key assumptions including discount rates, mortality and morbidity rates, surrender rates and expense assumptions used in the valuation models by comparing them to the Group's historical experiences. On a sample basis, we accessed the appropriateness of actuarial models by independently modelling selected contracts. Based on our audit procedures performed, we found no material exception.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities – claim reserves	
Refer to notes 3(2)(b) and 45 to the consolidated financial statements.	We, with the assistance of our own actuarial experts, performed the audit procedures listed below.
As at 31 December 2019, the Group had significant claim reserves of RMB67.35 billion, representing 22.5% of the Group's total liabilities.	For major lines of business, we assessed the reasonableness of the key assumptions, such as ultimate loss ratio, risk factor, claims adjustment expenses, which were used in the valuation models by comparing them to the Group's historical data.
The valuation of claim reserves is determined using multiple complex models which were set up based on the terms of the Group's insurance contracts.	For the selected lines of business, we also compared the Group's computation of claim reserves with an estimated range of valuation result independently developed by us.
The main assumption in measuring the claim reserves is developed using the Group's experience of historical claims, which can be used to project the trend of future claims and hence ultimate claim costs. Accordingly, management extrapolates the amount of paid and incurred losses, average costs per claim and claim number of primary insurance contracts, based on the observed development of earlier years to develop the expected loss ratios for estimating the claim reserves.	We evaluated the overall reasonableness of the claim reserves by performing the comparison of the actual experiences to previously expected results and assessed the adequacy of the estimated liability as at year end. Based on our audit procedures performed, we found no material exception.
The determination of the main assumption on future claims requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.	

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of unlisted equity instruments	
Refer to note 3(2)(c) and 56 to the consolidated financial statements. The Group's unlisted equity instruments stated at RMB13.81 billion representing 3.5% of the Group's total assets as at the balance sheet date. These unlisted equity instruments were classified under available-for-sale financial assets and financial assets at fair value through profit or loss and derivative financial instruments, and were classified as level 3 for fair value measurement purposes. We focused on the valuation of these instruments because it involves a high degree of estimation uncertainty as they are valued based on models, assumptions and inputs such as credit premium and valuation multiples of comparable companies which are not observable from the market.	We evaluated the design and tested certain key internal controls over management's investment valuation process, such as management's review over key assumptions and inputs. We involved our internal valuation experts in assessing management's or management's expert's valuation model of the Group's investments against industry practice and valuation guidelines. We checked the appropriateness of the unobservable assumptions and inputs such as credit premium and valuation multiples of comparable companies used in the valuation by comparing them with comparable market data. Based on our audit procedures performed, we found no material exception.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Gross written premiums	5	**144,972,748**	122,257,197
Less: Premiums ceded to reinsurers and retrocessionaires	5	**(10,149,709)**	(7,862,106)
Net written premiums	5	**134,823,039**	114,395,091
Changes in unearned premium reserves	6	**(7,080,011)**	(5,122,438)
Net premiums earned		**127,743,028**	109,272,653
Reinsurance commission income		**1,566,556**	1,072,508
Investment income	7	**11,316,405**	7,496,534
Exchange losses, net		**(2,150)**	(44,101)
Other income	8	**2,010,352**	2,126,130
Total income		**142,634,191**	119,923,724

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Total income		**142,634,191**	119,923,724
Claims and policyholders' benefits	9	**(95,380,235)**	(81,578,125)
– Claims incurred		**(55,735,168)**	(41,848,821)
– Life and health reinsurance death and other benefits paid		**(32,639,256)**	(11,004,304)
– Changes in long-term life and health reinsurance contract liabilities		**(7,005,811)**	(28,725,000)
Handling charges and commissions	10	**(20,815,698)**	(19,332,172)
Finance costs	11	**(1,539,536)**	(1,127,782)
Other operating and administrative expenses	12	**(18,971,166)**	(14,502,253)
Total benefits, claims and expenses		**(136,706,635)**	(116,540,332)
Share of profits of associates		**2,140,117**	1,701,410
Profit before tax	13	**8,067,673**	5,084,802
Income tax	16	**(1,422,359)**	(1,185,816)
Profit for the year		**6,645,314**	3,898,986
Attributable to:			
Equity shareholders of the parent		**6,049,345**	3,729,891
Non-controlling interests		**595,969**	169,095
Profit for the year		**6,645,314**	3,898,986
Earnings per share (in RMB)	18		
– Basic		**0.14**	0.09
– Diluted		**0.14**	0.09

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Profit for the year		**6,645,314**	3,898,986
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	48	**42,119**	(12,153)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		**156,047**	(101,069)
Available-for-sale financial assets, after tax		**4,476,116**	(95,665)
Exchange differences on translation of financial statements of foreign operations		**34,354**	(16,905)
Other comprehensive income for the year after tax	19	**4,708,636**	(225,792)
Total comprehensive income for the year		**11,353,950**	3,673,194
Attributable to:			
Equity shareholders of the parent		**10,358,694**	3,538,674
Non-controlling interests		**995,256**	134,520
Total comprehensive income for the year		**11,353,950**	3,673,194

The accompanying notes on pages 140 to 277 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**31 December 2019**	31 December 2018
Assets			
Cash and short-term time deposits	20	**20,262,473**	13,230,928
Financial assets at fair value through profit or loss	21	**11,856,246**	10,725,714
Derivative financial instruments	22	**411,129**	175,403
Financial assets held under resale agreements	23	**2,981,215**	2,596,387
Premiums receivable	24	**14,755,963**	11,055,676
Reinsurance debtors	25	**55,939,565**	49,648,266
Investment contracts receivable	26	**3,433,251**	2,831,865
Reinsurers' share of insurance contract liabilities	45	**18,173,603**	14,890,956
Reinsurers' share of policy loans		**503,744**	454,775
Time deposits	27	**3,907,342**	4,408,928
Available-for-sale financial assets	28	**117,402,385**	91,979,646
Held-to-maturity investments	29	**34,593,283**	35,897,556
Investments classified as loans and receivables	30	**43,726,769**	41,065,284
Statutory deposits	32	**15,723,184**	16,073,184
Investment properties	33	**7,891,771**	5,054,425
Property and equipment	34	**3,007,394**	2,778,951
Right-of-use assets	35	**1,176,562**	–
Intangible assets	36	**2,267,111**	2,204,303
Investments in associates	37	**24,061,529**	21,185,891
Goodwill	38	**1,635,695**	1,559,664
Deferred tax assets	39	**1,314,116**	1,542,887
Other assets	40	**11,614,058**	11,546,284
Total assets		**396,638,388**	340,906,973

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2019	31 December 2018
Liabilities and equity			
Liabilities			
Short-term borrowings	41	**732,349**	521,569
Securities sold under agreements to repurchase	42	**21,487,751**	14,193,976
Reinsurance payables	43	**17,947,144**	12,929,525
Income tax payable		**1,353,982**	444,972
Policyholders' deposits		**2,839,974**	1,946,566
Investment contract liabilities	44	**22,066,813**	15,809,209
Insurance contract liabilities	45	**191,637,068**	168,731,390
Notes and bonds payable	46	**19,390,012**	19,192,123
Long-term borrowings	47	**3,821,130**	3,577,107
Lease liabilities	35	**1,117,491**	–
Deferred tax liabilities	39	**1,860,121**	1,136,075
Other liabilities	48	**15,406,564**	15,170,644
Total liabilities		**299,660,399**	253,653,156
Equity			
Share capital	49	**42,479,808**	42,479,808
Reserves	50	**22,957,818**	17,546,922
Retained profits	50	**21,698,666**	18,254,471
Total equity attributable to equity shareholders of the parent		**87,136,292**	78,281,201
Non-controlling interests		**9,841,697**	8,972,616
Total equity		**96,977,989**	87,253,817
Total liabilities and equity		**396,638,388**	340,906,973

Approved and authorized for issue by the Board of Directors on 30 March 2020.

Yuan Linjiang
Director

He Chunlei
Director

Tian Meipan
Chief Actuary

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2018		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 associates	2(4)	–	–	–	–	–	–	145,192	–	(332,575)	(187,383)	(34,918)	(222,301)
Restated total equity as 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 year		–	–	–	–	–	–	–	–	6,049,345	6,049,345	595,969	6,645,314
Other comprehensive income	19	–	–	–	–	–	42,119	4,232,876	34,354	–	4,309,349	399,287	4,708,636
Total comprehensive income		–	–	–	–	–	42,119	4,232,876	34,354	6,049,345	10,358,694	995,256	11,353,950
Appropriations to surplus reserve		–	–	266,505	–	–	–	–	–	(266,505)	–	–	–
Appropriations to general risk reserve		–	–	–	689,196	–	–	–	–	(689,196)	–	–	–
Distributions to shareholders of the parent		–	–	–	–	–	–	–	–	(1,316,874)	(1,316,874)	–	(1,316,874)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(91,620)	(91,620)
Others		–	654	–	–	–	–	–	–	–	654	363	1,017
As at 31 December 2019		42,479,808	10,725,376	2,288,028	5,380,024	9,968	14,274	4,532,496	7,652	21,698,666	87,136,292	9,841,697	96,977,989

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2017		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	2(4)	–	–	–	–	–	–	44,005	–	(313,181)	(269,176)	–	(269,176)
Restated total equity as at 1 January 2018		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	316,587	(9,797)	17,319,247	74,097,731	1,003,592	75,101,323
Profit for the year		–	–	–	–	–	–	–	–	3,729,891	3,729,891	169,095	3,898,986
Other comprehensive income	19	–	–	–	–	–	(12,153)	(162,159)	(16,905)	–	(191,217)	(34,575)	(225,792)
Total comprehensive income		–	–	–	–	–	(12,153)	(162,159)	(16,905)	3,729,891	3,538,674	134,520	3,673,194
Appropriations to surplus reserve		–	–	228,428	–	–	–	–	–	(228,428)	–	–	–
Appropriations to general risk reserve		–	–	–	527,208	–	–	–	–	(527,208)	–	–	–
Distributions to shareholders of the parent		–	–	–	–	–	–	–	–	(2,039,031)	(2,039,031)	–	(2,039,031)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(163,526)	(163,526)
Transaction with non-controlling interests	54	–	2,704,751	–	–	–	–	–	–	–	2,704,751	7,998,151	10,702,902
Others		–	(20,924)	–	–	–	–	–	–	–	(20,924)	(121)	(21,045)
As at 31 December 2018		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

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Operating activities			
Cash generated from operations	52(a)	**17,851,342**	6,717,032
Income tax paid		**(966,987)**	(1,414,700)
Net cash flows generated from operating activities		**16,884,355**	5,302,332
Investing activities			
Interests received		**8,016,011**	5,892,859
Dividends received		**2,384,497**	1,396,290
Purchases of property and equipment, investment properties and intangible assets		**(2,178,729)**	(4,101,891)
Proceeds from disposals of property and equipment, investment properties and intangible assets		**(4,596)**	31,240
Acquisition of subsidiary, net of cash and cash equivalent acquired		**(274,809)**	(4,997,088)
Purchases of investments		**(135,185,920)**	(137,925,675)
Proceeds from disposals of investments		**112,640,032**	114,007,738
Disposals of associates		**134,215**	–
Investments in associates		**(102,625)**	(5,336,861)
Net cash flows used in investing activities		**(14,571,924)**	(31,033,388)

The accompanying notes on pages 140 to 277 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Financing activities			
Changes in third party investors' interests of consolidated structured entities, net		**2,470**	702,034
Capital injection from minority shareholders		**–**	10,702,902
Proceeds from notes and bonds payable		**–**	9,000,000
Proceeds from bank borrowings		**419,566**	4,095,249
Repayment of borrowings		**(110,527)**	(2,220)
Interests paid		**(1,647,502)**	(1,030,736)
Cash paid for lease liabilities		**(361,748)**	–
Dividends paid to equity shareholders of the parent		**(1,315,560)**	(2,047,771)
Dividends paid by subsidiaries to non-controlling interests		**(91,620)**	(163,526)
Net proceeds from securities sold under agreements to repurchase		**7,077,497**	6,560,845
Net cash flows generated from financing activities		**3,972,576**	27,816,777
Net increase in cash and cash equivalents		**6,285,007**	2,085,721
Cash and cash equivalents at the beginning of the year		**14,701,860**	12,068,596
Effect of foreign exchange rate changes		**280,715**	547,543
Cash and cash equivalents at the end of the year	52(b)	**21,267,582**	14,701,860

The accompanying notes on pages 140 to 277 form part of these financial statements.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

For the purpose of preparing the consolidated financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the current year's financial statements, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2019 and accounting standards and amendments that are effective but temporary exemption is applied by the Group are set out in Note 2(4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Basis of measurement

The financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, which is the functional currency of the Company, except when otherwise indicated.

It has been prepared on the historical cost basis except for the following assets and liabilities as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss and derivative instrument (see Note 2(14) and Note2(15)).

- reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods (see Note 2(27)).

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2019:

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 consolidated financial statements of the Group except for IFRS 16. The impact of the adoption of IFRS 16 are disclosed as below.

IFRS 16, Leases

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16 Leases, 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (continued)

IFRS 16, Leases (continued)

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 of RMB1,076 million, and right-of-use assets of RMB1,198 million, including prepaid or accrued lease payments relating to that lease recognised in the statement of financial position 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (continued)

IFRS 16, Leases (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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the complete standard of IFRS 9 (IFRS 9 (2014)).

Classification and measurement of financial assets and financial liabilities

IFRS 9 retains but simplifies the mixed measurement model by allowing three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income, with the basis of classification dependent on the entity's business model and contractual cash flow characteristics of the financial assets. IFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity's own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss ("own credit risk requirements").

Impairment

The new impairment methodology in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The IASB has issued amendments to IFRS 4 Insurance Contracts 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'. The amendments provide two optional approaches to deal with the mismatched effective dates of IFRS 9 and the new insurance contracts standard to replace IFRS 4:

(a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

(b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying IFRS 9 until 2021. Entities that defer the application of IFRS 9 will continue to apply IAS 39 Financial Instruments: Recognition and Measurement.

IAS 28 Investments in Associates and Joint Ventures require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2021, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial Instruments (continued)

The Group concludes that the Group's operation activities are predominantly connected with insurance. The Group decides to apply the temporary exemption for IFRS 9. The disclosures about the Group's temporary exemption from IFRS 9 are disclosed in Note 53. The Group's associates, China Everbright Bank Company Limited ("CEB") and China Great Wall Asset Management Company Limited("Great Wall ASSET"), applied IFRS 9 from 1 January 2018 and 1 January 2019 respectively. The adoption of IFRS 9 by CEB has decreased the total equity of the Group by RMB285 million as at 1 January 2018. The adoption of IFRS 9 by the Great Wall ASSET has decreased the total equity of the Group by RMB222 million as at 1 January 2019. The Group decides not to adopt uniform accounting policies for associates in group level.

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2019

Up to the date of issue of the financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the accounting year ended 31 December 2019 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

IFRS 17	Insurance Contracts [(1)]
Amendments to IAS 1 and IAS 8	Definition of Material[(2)]
Amendments to IFRS 3	Definition of Business[(2)]
Revised for Financial Reporting	Conceptual Framework[(2)]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform[(2)]
Amendments to IAS 1	Classification of liabilities as current or non-current[(3)]

(1) The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 17 March 2020, the International Accounting Standards Board ("IASB") completed its discussions on the amendments to IFRS 17 and tentatively decided that the effective date of the IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023.

(2) Effective for the accounting period beginning on 1 January 2020.

(3) Effective for the accounting period beginning on 1 January 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2019 (continued)

IFRS 17, Insurance Contracts

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

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 and tentatively decided that the effective date of the IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB had also tentatively proposed to extend to 2023 the temporary exemption for insurers to apply the financial instruments standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The impact is expected to be significant. The Group is in the process of assessing the impact of adoption of IFRS 17.

Amendments to IAS 1 and IAS 8, Definition of Material

The amendments use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2019 (continued)

Amendments to IFRS 3, Definition of Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

Revised for Financial Reporting

A revised Conceptual Framework will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2019 (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest rate benchmark reform

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendments to IAS 1, Classification of liabilities as current or non-current

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

(6) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting estimates

In determining insurance contract liabilities, assumptions such as discount rate, mortality and morbidity, surrender rate, and expense assumptions are applied to long term life and health reinsurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group changed the above assumptions based on current information available as at 31 December 2019 (mainly the risk free discount rate and lapse rate and morbidity rate) and updated estimate for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current year's statement of profit or loss. As a result of such changes in assumptions, long term life and health reinsurance contracts liabilities were increased by RMB90.1 million as at 31 December 2019 and the profit before tax for the year ended 31 December 2019 was decreased by RMB90.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity where it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary excluding structured entities not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(14)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(9) if applicable).

For each managed syndicate on which the Group participates, only the relevant proportion of the transactions, assets and liabilities of those Lloyd's syndicates are reflected in the consolidated financial statements. As at 31 December 2019, the Group provided 100% of the capital for Syndicate 2088 and Syndicate 1084, and provided 57% of the capital for Syndicate 1176, and therefore relevant proportion of the transactions, assets and liabilities of those Lloyd's syndicates have been included in the Group's financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(8) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager. If an asset manager is the agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority; rights held by other parties; remuneration to which it is entitled; and exposure to variability of returns from its involvement with structured entities. The Group will make reassessment when the factors change.

(9) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment provisions relating to the investment (see Notes 2 (24)(b)). Any excess over cost at acquisition-date, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

Where the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Group, except for financial instruments for which the associates have applied IFRS 9, as permitted by the Amendments to IFRS 4.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(14)).

(10) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment provisions. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(24)(b)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(12) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term time deposits, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(13) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates or at the rates that approximate the spot exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(13) Translation of foreign currencies (continued)

The functional currencies of certain foreign operations are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period and their income statements are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(14) Investments in debt and equity instruments

The Group's policies for investments in debt and equity instruments, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity instruments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets. Cost includes transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading and those designated at fair value through profit or loss are classified as financial assets at fair value through profit or loss. Any transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Dividends or interest earned on these investments are recognised in accordance with the policies set out in Note 2(30)(c) and Note 2(30)(b).

Debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(24)(a)).

Debt instruments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, debt instruments classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses (see Note 2(24)(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Investments in debt and equity instruments (continued)

Investments which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from equity securities and interest income from debt securities calculated using the effective interest rate method are recognised in profit or loss in accordance with the policies set out in Note 2(30)(c) and Note 2(30)(b). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(24)(a)), the cumulative gain or loss recognised in equity is reclassified to profit or loss.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

(15) Derivatives and hedging activities

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group records the relationship between the hedging instrument and the hedged item as well as its risk management objectives and the strategy of executing the hedging transaction at the beginning of the transaction. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(15) Derivatives and hedging activities (continued)

(ii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate at each balance sheet date that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80% to 125% for the hedge to be deemed effective.

(16) Financial assets held under resale agreements and securities sold under agreements to repurchase

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Securities sold under agreements to repurchase are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under agreements to repurchase in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under agreements to repurchase continue to be recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest rate method and is included in interest income and interest expenses, respectively.

(17) Reinsurance debtors and other receivables

Reinsurance debtors represent receivables from reinsurance contracts.

Reinsurance debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts (see Note 2(24)(a)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Policyholders' deposits, investment contract liabilities, reinsurance and other payables

Obligations under contracts that do not transfer significant insurance risk are accounted for as investment contracts. Reinsurance payables are primarily premiums, benefits and claims payable for outward reinsurance contracts. Policyholders' deposits are the payments received in advance by the Group which represent amounts, including interest, collected from contracts not yet effective as renewal payment as at the end of the reporting period.

Policyholders' deposits, investment contract liabilities, reinsurance and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(19) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(20) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

An investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of investment properties is 15 to 35 years.

The residual value, the useful life and the depreciation method are reviewed at least at end of the reporting period to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(24)(b)). The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	15 – 35 years
Machinery and equipment	3 – 11 years
Motor vehicles	5 – 8 years
Office and electronic equipment	3 – 8 years
Leasehold improvement	shorter of lease terms and useful life

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses (see Note 2(24)(b)), and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Intangible assets (other than goodwill)

Intangible assets are mainly the value of business acquired, Syndicate capacity, distribution channel purchased software and etc.

(a) Value of business acquired ("VOBA")

Insurance contract liabilities for insurance business arising from business combination are recognised at the carrying amount. The difference between its carrying value and fair value, calculated as the present value of future profits arising from the enforceable insurance business at the acquisition date, is recorded as VOBA. The calculation of discounted future profits is based on the estimation at the acquisition date using the actuarial assumptions, as well as the cost of capital at the acquisition date and a risk-adjusted discount rate.

VOBA is recognised as an intangible asset on the consolidated statements of financial position, and amortised over the remaining contract periods of the acquired policies.

During the liability adequacy test, the recoverability of VOBA is reviewed based on the actual experience of enforceable business and the updated key assumptions. VOBA is derecognised when underlying insurance contracts are terminated or commuted.

(b) Syndicate capacity

Syndicate capacity is arising from business combination，recognised as an intangible asset on the consolidated statements of financial position. Syndicate capacity represents the capacity of Lloyd's Syndicates allowing the Company to write insurance business in the Lloyd's market globally and to realise profits from that business. The continuing value of the underwriting capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from the syndicate, with any impairment in value being charged to the statement of profit or loss. It is deemed to have indefinite useful lives and are therefore not subject to amortization and is stated at cost less any impairment losses (see Note 2(24)(b)).

(c) Distribution channel

Distribution channel is arising from business combination, recognised as an intangible asset on the consolidated statements of financial position. Distribution channel represents a network of retail and wholesale brokers worldwide, including specialty and regional brokerages, which allow the Group to form closer relationships with clients and aids business retention. Distribution channel is initially recognised at fair value at the acquisition date and is subsequently measured at cost less accumulated amortisation and impairment provision. It is amortised on a straight-line basis over their estimated useful lives from 10 to 15 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(22) Intangible assets (other than goodwill) (continued)

(d) Software

Purchased software is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(24)(b)).

Software are finite life assets and amortised on a straight-line basis over the assets' estimated useful lives from 3 to 10 years.

(23) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(24) Impairment of assets

(a) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that a financial asset is impaired includes, but not limited to:

– significant financial difficulty of the borrower or issuer;

– a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of financial difficulties of the issuer;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Impairment of assets (continued)

(a) Impairment of financial assets (continued)

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, including:

(i) the market price of the equity securities was more than 50% below their cost at the reporting date; or

(ii) the market price of the equity securities which were held for less than one year was more than 20% below their cost for a period of at least six months at the reporting date; or

(iii) the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

Investments classified as held-to-maturity and loans and receivables, reinsurance debtors and other receivables

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)
For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(b) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment;

– right-of-use assets;

– investment properties;

– intangible assets;

– investments in subsidiaries and associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(24) Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(25) Insurance contracts

Insurance contracts are those contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

The Group's insurance contracts comprise primary insurance contracts and reinsurance contracts.

(26) Testing the significance of insurance risk

For contracts that contain both insurance risks and non-insurance risks, and where insurance risks and non-insurance risks can be distinguished and measured separately, the insurance risks and non-insurance risks should be unbundled. Insurance risk components should be treated as insurance contracts while other risk components should be treated as non-insurance contracts. When the insurance risk components and other risk components cannot be distinguished, or could be distinguished but not be measured separately, the entire contract should be treated as an insurance contract if the insurance risk is significant, otherwise it should be treated as a non-insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(26) Testing the significance of insurance risk (continued)

For reinsurance contracts, the Group uses the contract (or facultative insurance policy) as a basic unit for the risk significance test. Tests can be combined for small business contracts or facultative insurance policies. If it is specified in the terms of a contract that its payment responsibility changes according to another contract's claim amount, those contracts should be combined for risk significance test. For primary property and casualty insurance contracts, the Group uses the product as a risk significance test unit. If the test results show that insurance accident specified in the contract may result in significant additional benefits paid by the Group, the contract is recognised as a significant risk contract, except for those with no commercial substance. The additional benefits above-mentioned refer to the amount the Group pays when an accident occurs in excess of the amount the Group pays when an accident does not occur. A contract has no commercial substance if it has no identifiable impacts on either the Group or its counter-party's economic interests.

The Group's other contracts that do not meet the definition of an insurance contract ("investment contract") should be recognised and measured according to relevant accounting policies for financial assets or liabilities.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characteristics and actual claim payments.

(27) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life and health insurance contract reserves. The Group measures the insurance contract reserves at the end of the reporting period.

When the Group calculates the insurance contract reserves, it combines the insurance contracts with homogeneous insurance risks as one measuring unit.

The Group calculates the insurance contract reserves based on the future expected net cash flows arising from insurance contracts with consideration of the time value of money. Future cash inflows mainly include future insurance premium, future salvage and subrogation on incurred claims. Future cash outflows mainly include claims paid to the insurants, surrender payments, and expenses, etc. The reinsurance contracts also take the adjustable commission and profit commission into consideration. If the effect of time value of money is significant, the Group will discount the relative future cash flows. The Group determines the discount rate based on the available information at the end of the reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the consolidated statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin. Risk margin represents provision for the uncertainty and the degree of impact associated with the future net cash flows. The Group determines risk margins of the long-term life insurance policyholders' reserves using the scenario comparison method. At inception of an insurance contract, any 'day-one' gain is not recognized in the consolidated statement of profit or loss, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any 'day-one' loss is recognized in the consolidated statement of profit or loss. The Group amortizes the residual margin on the basis of sum insured or cash value of policies during the whole insurance coverage period, and will not be adjusted for future change in assumptions.

The Group evaluates the cash flows of insurance contracts and related reinsurance contracts separately. Meanwhile, the Group calculates the corresponding reserves that shall be recovered from the reinsurer and retrocessionaire and recognises the corresponding insurance reserve receivable as an asset.

Unearned premium reserves

The Group adopts the higher of the following as the unearned premium reserves for property and casualty, accident and short-term life and health insurance contracts:

(i) The result of applying 1/8 method, 1/24 method, 1/365 method or risk distribution method on the difference between written premiums and acquisition costs.

(ii) The discounted net future cash outflows including claim payments for unexpired risks, maintenance expenses, loss adjustment expenses, and corresponding risk margin. Risk margin is determined using the 75% percentile approach, with reference to the relevant industry benchmarks.

The acquisition costs of the Group's reinsurance contracts primarily include reinsurance commissions, and insurance supervision fees, etc. The acquisition costs of the Group's primary insurance contracts primarily include handling charges and commission expenses, taxes and surcharges, statutory insurance fund contributions, insurance supervision fees, and commissions paid to employees working as sales representatives.

The Group calculates the expected future net cash outflows over the entire insurance period to measure the unearned premium reserves.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Claim reserves

Claim reserves refer to the provision for incurred events of property and casualty, accident and short-term life and health insurance contracts insured by the Group as primary insurer or reinsurer, including case reserves, incurred but not reported ("IBNR") reserves and loss adjustment expense reserves.

Case reserves represent the reserves for incurred insurance accidents, which have been reported to the Group but not yet settled. As primary insurer, the Group adopts case-by-case loss estimating method and average cost per claim method to measure case reserves, based on the reasonable estimate of the ultimate settlement amount, with consideration of risk margin. In regard to reinsurance contracts, the Group measures case reserves based on the information provided by cedants.

IBNR reserves represent the reserves for incurred insurance events that have not been reported to the Group. Based on the nature and distribution of insurance risk, the pattern of historical claim development, and the latest available claim data, the Group adopts commonly accepted actuarial reserving methods such as the chain ladder methods, average cost per claim method, frequency-severity method, Bornhuetter-Ferguson method and expected loss ratio method to measure IBNR reserves, with consideration of the time value of money and risk margin.

Loss adjustment expense reserves represent reserves for claims related expenses such as settlement fees, legal cost, claim-surveying cost and claim handling staff's salary, on insurance accidents. The Group mainly uses the ratio allocation method to measure loss adjustment expense reserves.

Life and health insurance contract reserves

The Group measures long-term life and health insurance contract reserves on the basis of the best estimates of future payments that will be required to fulfil the contractual obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of: (i) the guaranteed benefits based on contractual terms, including death claims, disability claims, medical benefits, survival benefits, maturity benefits, etc.; (ii) the non-guaranteed benefits, including policyholder dividends, etc.; and (iii) expenses incurred to manage insurance contracts or to process claims, including loss adjustment expenses, etc. The expected future cash inflows include cash inflows arising from the undertaking of insurance obligations, including premium and other fees.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(27) Insurance contract liabilities (continued)

Life and health insurance contract reserves (continued)

Margin comprising risk margin and residual margin has been taken into consideration while computing the reserve of life and health insurance contracts. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. Residual margin is the margin for not recognising day-one gain and will be amortised over the life of the contracts. The subsequent measurement of residual margin is independent of the reserve related to best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

The Group determines the assumptions for measuring the unexpired liability reserves on the basis of latest information obtained on the balance sheet date.

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of market interest with equivalent duration and equivalent risk to liability cash outflows. For the insurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of expected future investment returns rate of the corresponding investment portfolios.

Based on the historical experience and trend of future development, the Group determines the reasonable estimates as the assumptions, such as mortality rate, morbidity rate, lapse rate and expenses. For future expense which is sensitive to inflation, the Group considers the factors of inflation and the effects of the Group's expense controls to determine the expenses assumptions.

For insurance contracts with renewal rights, if the policyholder is likely to execute the renewal right without adjusting the premium rates, the Group takes the whole insurance period as the expected future net cash outflow period while measuring the reserves.

Liability adequacy test

The Group performs liability adequacy tests for unearned premium reserves and reserves for long-term life and health insurance on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, the carrying amounts of the reserves shall be increased to the adequacy test result. For insurance policies acquired from business combination, the VOBA should be written off first and the deficiencies in excess of VOBA should be treated as additional reserves. And if the related reserve is adequate, no adjustment is made.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(28) Reinsurance

Cedes reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing income from insurance contracts, the Group determines the amount of premium ceded and reinsurance commission income and recognize them through profit or loss according to reinsurance contracts. As for profit commission, the Group recognizes it as a reinsurance commission income through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be received from the reinsurers. When calculating unearned premium reserves, claim reserves and long-term life and health insurance contracts reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes insurance reserve receivable. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, insurance reserve receivable are reduced accordingly. In the meantime, the Group determines the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group determines the adjustment amount of premium ceded and reinsurance commission income according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of insurance reserve receivable is reversed accordingly.

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded insurance/reinsurance contracts are presented or disclosed separately from the assets, liabilities, income and expenses arising from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

(29) Notes and bonds payable

Notes and bonds payable are initially recognised at fair value, net of transaction costs incurred. Notes and bonds payable are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the expected periods of the notes and bonds using the effective interest method.

(30) Revenue recognition

The Group's main revenue is recognized on the following bases:

(a) **Gross written premiums**

Gross written premiums in respect of primary property and casualty insurance contracts are recognised as revenue when the amount is determined, which is generally when the risk commences.

Gross written premiums in respect of reinsurance contracts reflect business written during the reporting period. Premiums written include an estimate for written premiums receivable of the current period and adjustments to estimates of premiums written in previous years at period end.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(30) Revenue recognition (continued)

(b) Interest income

Interest income for interest bearing financial instruments, is recognized in the consolidated statement of profit or loss using the effective interest rate method for financial assets that are not classified as FVTPL and using the coupon rate for financial assets that are classified as FVTPL.

(c) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(d) Sale of goods

Revenue from the sale of goods is recognized when control of the goods has transferred. Control of goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods.

The amount of revenue from the sale of goods shall be measured by the transaction price, which is allocated to each performance obligation. The transaction price is the amount of consideration to be entitled in exchange for transferring promised goods to a customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

(31) Employee benefits

(a) Short term employee benefits and defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(31) Employee benefits (continued)

(b) Defined benefit retirement plan obligation

The Group operates several defined benefit retirement plans.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Group measures the obligations under defined benefit pension plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discounts obligations under the defined benefit retirement plans to determine the present value of the defined benefit liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost recognised in the consolidated statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the consolidated statement of comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss.

(32) Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(3).

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(32) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(32) Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly in office and electronic equipment and small items of office furniture.

The Group applied the following accounting policies which are related to operating lease:

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(33) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(33) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(33) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(34) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(35) Dividends

When the final cash dividends proposed by the directors have been approved by the shareholders and declared, they are recognised as a liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(36) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group;

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(37) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(1) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following critical accounting judgements:

(a) Classification and significant risk testing of contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing insurance risk significance tests. The result of such judgement affects the classification of insurance contracts. Different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(b) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires management judgement. When making such judgement, the Group considers the length of the period over which the fair value is lower than cost and the magnitude of the decline in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(1) Critical accounting judgements in applying the Group's accounting policies (continued)

(c) Significant influence when less than 20% of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, but one or more of the following indicators are present:

– representation on the board of directors or equivalent governing body of the investee;

– participation in policy-making processes, including participation in decisions about dividends or other distributions;

– material transactions between the investor and the investee;

– interchange of managerial personnel; or

– provision of essential technical information.

An investee as accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset. The reasons for existence of significant influence over some investees, even though the voting power held by the Group is less than 20%, are disclosed in Note 37 to the financial statements.

(d) Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are detailed below, which will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

(a) Significant insurance risk test

The Group performs significant insurance risk test at the time when a contract is recognised, and makes necessary review at the end of the reporting period.

The Group determines whether the insurance and reinsurance contracts transfer significant risk using the following methods and thresholds:

(i) Property and casualty reinsurance contracts

The Group considers property and casualty reinsurance policies with expected reinsurer deficit ("ERD") larger than 1% as reinsurance contracts. When calculating ERD of reinsurance policies, the Group selects appropriate loss distribution, based on its own historical claim experience and stochastic simulation method.

(ii) Life and health reinsurance contracts

When signing a reinsurance contract (or a facultative policy), the Group determines whether it transfers significant insurance risk based on qualitative assessment or quantitative analysis. In the case that a contract transfers significant insurance risk, it will be determined as a reinsurance contract; otherwise it will be determined as non- reinsurance contract.

When the Group performs significant risk test, for life and health reinsurance business, it considers whether the reinsurance contracts are reasonably self-evidenced. Contracts that are reasonably self-evident are determined as reinsurance contracts. Such conditions include: i) the business having apparent characteristics of transferring insurance risks, namely the ceding company transfers the primary insurance risk of primary insurance business to reinsurer; and ii) no apparent loss participation clauses such as loss compensation, loss distribution pro rata, etc. in place. Businesses that are considered reasonably self-evident need to be reviewed every year to ensure the reasonableness of these conditions. The Group uses scenario testing methods for significant risk test for those contracts not reasonably self-evidenced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(b) Insurance contract liabilities

(i) Property and casualty reinsurance contract reserves

- Risk margin
  According to the "Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises" (NO. 6 [2010]), issued by the former CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

  When measuring reserves for property and casualty reinsurance contracts, the risk margin has been calculated using the 75% percentile approach with reference to industry benchmarks.

- Discount rate
  When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Level of impact depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves. For reinsurance contracts underwritten by the Syndicates, Lloyd's underwriter, the Group determines the assumption of discount rate according to the risk-free yield curve published by "European Insurance and Occupational Pensions Authority", the assumption of discount rates for the Lloyd's Syndicates used as at 31 December 2019 is -0.4% to 2.1% (31 December 2018: -0.3% to 2.7%).

  For the other reinsurance contracts, the Group determines the assumption of discount rate according to the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn, without considering liquidity risk premium, tax effect, credit risk premium and so on, the assumption of discount rates for the Group's other reinsurance business used as at 31 December 2019 is 3.0% to 3.2% (31 December 2018: 2.9% to 3.1%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(b) Insurance contract liabilities (continued)

(ii) Life and health reinsurance contract reserves

Life and health reinsurance contract reserves are determined by the reasonable estimation of future benefit, expense, premium as well as the risk margin. Assumptions adopted when making reasonable estimations such as mortality rate, morbidity rate, lapse rate, discount rate and loss adjustment expenses are determined by the Group's historical experience and reasonable future expectation. The risk margin reflects the uncertainty of insurance liability brought by the cash flows uncertainty of future benefit, expense and premium.

- Discount rate

  For contracts wherein profit in the future is not impacted by the corresponding asset portfolio investment return, the Group uses the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn and also considers the liquidity risk, taxation premium and counter-cyclical factors when determining the time value of money.

  The discount rates used as at 31 December 2019 are 3.4% to 5.7% (31 December 2018: 3.3% to 6.1%).

- The probability of insurance event

  The Group determines the probability of insurance event according to historical experience and the expectation in the future. For mortality data, the Group uses "China Life Insurance Mortality Table" issued by the former CIRC in addition to its historical experience. For other assumptions, the Group would mainly refer to its historical experience, the pricing assumption or the industry benchmarks.

- Expense and other assumption

  The Group determines the expense assumption according to its historical experience and the future expectation. The Group would also consider inflation metrics to determine the expense assumption if the assumption is sensitive to inflationary pressures.

  The lapse rate and other assumptions for reserving are determined using the Group's reliable historical experience, current situations and future expectations.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(b) Insurance contract liabilities (continued)

(iii) Primary property and casualty insurance contract reserves

- Risk margin
  According to the "Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises" (NO. 6 [2010]), issued by the former CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

  The risk margin has been calculated using the 75% percentile approach by the Group, with reference to industry benchmarks.

- Discount rate
  For insurance contracts underwritten by the Lloyd's Syndicates, the Group determines the time value of money according to the risk-free yield curve published by "European Insurance and Occupational Pensions Authority", the assumption of discount rates for the Lloyd's Syndicates used as at 31 December 2019 is -0.4% to 2.1% (31 December 2018: -0.3% to 2.7%).

  For the other insurance contracts, the Group adopts the "Yield Curve of Insurance Contract Reserves" issued by chinabond.com.cn when determining the time value of money, without considering liquidity risk premium, tax effect, credit risk premium and so on, the assumption of discount rates for the Group's other insurance business used as at 31 December 2019 is 3.1% to 3.3% (31 December 2018: 2.7% to 3.0%).

(c) Fair value of financial instruments

The Group invests primarily in debt investments, equity investments, time deposits, financial assets held under resale agreements and so on. The Group's significant accounting estimates and judgements regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value. In assessing the impairment, the Group has considered various factors (see Note 2(24)(a)). The fair values of quoted investments are based on current bid prices. The fair value is the price at which two knowing parties transact willingly in a fair trade rather than under on compulsion or in liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(c) Fair value of financial instruments (continued)

The Group estimates the fair value of financial instruments using the following methods and assumptions:

- Debt investments, notes and bonds payable and long-term borrowing: usually, fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques.

- Equity investments: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- Derivatives: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the derivatives whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- Time deposits, investments classified as financial assets held under resale agreements, securities sold under agreements to repurchase, short-term borrowing: the book value on the consolidated statements of financial position approximates to fair value.

(d) Pipeline premium

Written premiums include pipeline premiums which represent future premiums receivable on in-force underlying insurance contracts. Pipeline premium estimates are typically based on the information provided by the cedant as well as the historical premium development pattern.

(e) Impairment of goodwill

The Group performs goodwill impairment test annually. The recoverable amount of an asset group or a set of asset groups including goodwill is the higher of its fair value less costs to disposal and its value-in-use, and the principal assumptions used are set out in Note 38 to the financial statements.

(f) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits as well as the applicable tax rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(2) Estimation uncertainty (continued)

(f) Deferred tax assets (continued)

There are some uncertainties on the estimation of future taxable profit as it involves a number of estimations for future transactions, including whether the actuarial assumptions and experience are consistent, the performance of future investment market, as well as the impacts of any changes in corporate tax law.

(g) Retirement benefit liabilities

The Group measured certain employee retirement benefits using projected unit credit method, when these benefit plans met the definition of defined benefit plans as set out in Note 2(31)(b). Carrying value of these liabilities and the principal assumptions used in measuring these liabilities are set out in Note 48 to the financial statements.

(h) Impairment of held-to-maturity investments, investments classified as loans and receivables, reinsurance debtors and other receivables

When there is objective evidence that there is impairment in above investments and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the statement of profit or loss if the present value of expected future cash flows is less than the carrying amount of these assets. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, the Group also collectively assesses impairment for receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

(i) Impairment of non- current assets other than financial assets

The Group makes judgement on whether there is an indication that non- current assets other than financial assets may be impaired as at the end of the reporting period. When any such indication exists, the Group performs impairment testing for the asset or a group of assets and makes estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Group determines the recoverable amount according to the higher of the fair value less costs of disposal and the present value of expected future cash flows. Fair value less costs of disposals is determined with reference to the prices in sales agreements or observable market prices of similar assets in fair transactions. When using the present value of estimated future cash flows, management must use the estimated future cash flows of the asset or a group of assets, and select the appropriate discount rate to determine the present value of the future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 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 purposes, the Group is organised into business units based on their products and services and has the following operating and reportable segments:

- The property and casualty reinsurance segment, operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("China Re P&C"), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., and also includes the business operated by China Re UK Limited and Chaucer. Chaucer mainly includes China Re International Holdings Limited ("CRIH", 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 its subsidiary Company China Life Reinsurance Company Ltd. ("China Re Life"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.

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

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

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

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

More than 90% of the Group's revenue is derived from its operations in Mainland China.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2019						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	42,679,010	55,526,191	48,730,011	–	–	(1,962,464)	144,972,748
Less: Premiums ceded to reinsurers and retrocessionaires	(4,134,363)	(3,961,136)	(4,017,533)	–	–	1,963,323	(10,149,709)
Net written premiums	38,544,647	51,565,055	44,712,478	–	–	859	134,823,039
Changes in unearned premium reserves	(1,581,670)	(926,165)	(4,569,548)	–	–	(2,628)	(7,080,011)
Net premiums earned	36,962,977	50,638,890	40,142,930	–	–	(1,769)	127,743,028
Reinsurance commission income	359,449	568,047	1,431,367	–	–	(792,307)	1,566,556
Investment income (Note)	2,644,890	4,616,969	2,159,999	1,192,527	2,196,154	(1,494,134)	11,316,405
Exchange (losses)/gains, net	(76,615)	(54,000)	27,871	54,696	22,230	23,668	(2,150)
Other income	171,394	417,444	953,482	566,066	479,492	(577,526)	2,010,352
Total income	40,062,095	56,187,350	44,715,649	1,813,289	2,697,876	(2,842,068)	142,634,191
– External income	38,326,834	56,144,314	45,712,512	1,343,323	1,107,208	–	142,634,191
– Inter-segment income	1,735,261	43,036	(996,863)	469,966	1,590,668	(2,842,068)	–
Claims and policyholders' benefits	(22,878,892)	(49,801,284)	(22,702,866)	–	–	2,807	(95,380,235)
– Claims incurred	(22,878,892)	(10,156,217)	(22,702,866)	–	–	2,807	(55,735,168)
– Life and health reinsurance death and other benefits paid	–	(32,639,256)	–	–	–	–	(32,639,256)
– Changes in long-term life and health reinsurance contract liabilities	–	(7,005,811)	–	–	–	–	(7,005,811)
Handling charges and commissions	(13,446,665)	(2,329,432)	(5,834,191)	–	–	794,590	(20,815,698)
Finance costs	(569,098)	(375,692)	(189,488)	(377,411)	(27,847)	–	(1,539,536)
Other operating and administrative expenses	(1,963,526)	(1,732,909)	(14,078,637)	(474,405)	(1,299,032)	577,343	(18,971,166)
Total benefits, claims and expenses	(38,858,181)	(54,239,317)	(42,805,182)	(851,816)	(1,326,879)	1,374,740	(136,706,635)
Share of profits of associates	242,171	1,129,191	163,046	4,696	865,205	(264,192)	2,140,117
Profit before tax	1,446,085	3,077,224	2,073,513	966,169	2,236,202	(1,731,520)	8,067,673
Income tax	(129,013)	(652,057)	(392,032)	(77,326)	(171,931)	–	(1,422,359)
Profit for the year	1,317,072	2,425,167	1,681,481	888,843	2,064,271	(1,731,520)	6,645,314

Note: Investment income of other segments in 2019 includes dividends from subsidiaries of RMB1,477 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2018						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	28,947,298	52,453,713	42,622,388	–	–	(1,766,202)	122,257,197
Less: Premiums ceded to reinsurers and retrocessionaires	(962,492)	(5,154,646)	(3,509,619)	–	–	1,764,651	(7,862,106)
Net written premiums	27,984,806	47,299,067	39,112,769	–	–	(1,551)	114,395,091
Changes in unearned premium reserves	(803,330)	(1,531,273)	(2,788,044)	–	–	209	(5,122,438)
Net premiums earned	27,181,476	45,767,794	36,324,725	–	–	(1,342)	109,272,653
Reinsurance commission income	98,480	452,734	1,266,434	–	–	(745,140)	1,072,508
Investment income (Note)	1,747,144	3,365,438	1,708,449	232,949	1,819,706	(1,377,152)	7,496,534
Exchange (losses)/gains, net	(159,393)	(58,267)	81,952	(19,370)	112,435	(1,458)	(44,101)
Other income	41,625	1,440,486	231,343	424,000	295,475	(306,799)	2,126,130
Total income	28,909,332	50,968,185	39,612,903	637,579	2,227,616	(2,431,891)	119,923,724
– External income	27,286,742	50,934,465	40,521,994	324,283	856,240	–	119,923,724
– Inter-segment income	1,622,590	33,720	(909,091)	313,296	1,371,376	(2,431,891)	–
Claims and policyholders' benefits	(15,528,880)	(45,854,355)	(20,189,121)	–	–	(5,769)	(81,578,125)
– Claims incurred	(15,528,880)	(6,125,051)	(20,189,121)	–	–	(5,769)	(41,848,821)
– Life and health reinsurance death and other benefits paid	–	(11,004,304)	–	–	–	–	(11,004,304)
– Changes in long-term life and health reinsurance contract liabilities	–	(28,725,000)	–	–	–	–	(28,725,000)
Handling charges and commissions	(11,059,346)	(2,240,663)	(6,782,851)	–	–	750,688	(19,332,172)
Finance costs	(274,208)	(315,167)	(150,095)	(366,454)	(21,858)	–	(1,127,782)
Other operating and administrative expenses	(718,995)	(1,574,936)	(11,190,126)	(360,333)	(1,078,839)	420,976	(14,502,253)
Total benefits, claims and expenses	(27,581,429)	(49,985,121)	(38,312,193)	(726,787)	(1,100,697)	1,165,895	(116,540,332)
Share of profits of associates	51,631	919,068	8,355	275	680,467	41,614	1,701,410
Profit before tax	1,379,534	1,902,132	1,309,065	(88,933)	1,807,386	(1,224,382)	5,084,802
Income tax	(174,975)	(368,670)	(400,868)	(33,592)	(207,711)	–	(1,185,816)
Profit for the year	1,204,559	1,533,462	908,197	(122,525)	1,599,675	(1,224,382)	3,898,986

Note: Investment income of other segments in 2018 includes dividends from subsidiaries of RMB1,258 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	2019						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	108,933,054	170,871,692	79,894,268	14,207,029	60,259,916	(37,527,571)	396,638,388
Segment liabilities	(85,516,224)	(147,085,869)	(52,678,481)	(11,043,884)	(8,280,547)	4,944,606	(299,660,399)
Other segment information							
Capital expenditures	(91,313)	(110,614)	(3,641,811)	(10,603)	(50,000)	–	(3,904,341)
Depreciation and amortisation	(265,020)	(113,008)	(674,337)	(20,059)	(92,630)	–	(1,165,054)
Interest income	2,343,276	3,811,423	1,766,186	124,642	662,166	(14,588)	8,693,105
Financial assets impairment loss charges	(98,045)	(386,273)	(33,413)	–	(72,829)	–	(590,560)
Other impairment loss charges	(3,516)	–	(135,037)	–	(1,523)	–	(140,076)

	2018						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
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)
Other segment information							
Capital expenditures	(694,867)	(1,755,777)	(450,489)	(9,456)	(66,607)	–	(2,977,196)
Depreciation and amortisation	(8,292)	(21,733)	(250,782)	(11,604)	(50,134)	–	(342,545)
Interest income	1,966,763	3,369,378	1,677,099	92,069	630,889	(13,958)	7,722,240
Financial assets impairment loss charges	(203,086)	(301,432)	(21,970)	–	(171,507)	–	(697,995)
Other impairment loss charges/(reversals)	4,256	–	(82,197)	–	(2,117)	–	(80,058)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	2019	2018
Long-term life and health reinsurance	**38,306,202**	39,790,118
Short-term life and health reinsurance	**17,183,861**	12,620,441
Property and casualty reinsurance	**36,454,640**	27,106,861
Primary property and casualty insurance	**53,028,045**	42,739,777
Total	**144,972,748**	122,257,197

(b) Premiums ceded to reinsurers and retrocessionaires

	2019	2018
Long-term life and health reinsurance	**–**	1,860,199
Short-term life and health reinsurance	**3,961,136**	3,294,447
Property and casualty reinsurance	**2,779,192**	915,382
Primary property and casualty insurance	**3,409,381**	1,792,078
Total	**10,149,709**	7,862,106

(c) Net written premiums

	2019	2018
Net written premiums	**134,823,039**	114,395,091

6 CHANGES IN UNEARNED PREMIUM RESERVES

	2019	2018
Short-term life and health reinsurance	**926,165**	1,530,733
Property and casualty reinsurance	**1,841,622**	898,254
Primary property and casualty insurance	**4,312,224**	2,693,451
Total	**7,080,011**	5,122,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME

	2019	2018
Interest, dividend and rental income (a)	**10,175,904**	8,702,084
Realised gains/(losses) (b)	**441,121**	(564,667)
Unrealised gains/(losses) (c)	**868,919**	(156,511)
Negative goodwill arising from investments in associates	**421,021**	213,623
Impairment losses on financial assets (d)	**(590,560)**	(697,995)
Total	**11,316,405**	7,496,534

(a) Interest, dividend and rental income

	2019	2018
Interest income		
Current and time deposits	**1,245,518**	1,052,323
Fixed maturity investment		
– Held-to-maturity investment	**1,830,443**	1,826,338
– Available-for-sale financial assets	**2,883,186**	2,456,078
– Financial assets at fair value through profit or loss	**84,286**	61,482
– Investments classified as loans and receivables	**2,578,619**	2,267,532
Financial assets held under resale agreements	**63,516**	49,486
Reinsurers' share of policy loans	**7,537**	9,001
Subtotal	**8,693,105**	7,722,240
Dividend income		
– Available-for-sale financial assets	**1,133,965**	881,876
– Financial assets at fair value through profit or loss	**208,127**	97,968
Subtotal	**1,342,092**	979,844
Rental income from investment properties	**140,707**	–
Total	**10,175,904**	8,702,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME (continued)

(a) Interest, dividend and rental income (continued)

An analysis of the dividend income from listed and unlisted securities is as follows:

	2019	2018
Dividend income		
Listed securities	**427,579**	188,207
Unlisted securities	**914,513**	791,637
Total	**1,342,092**	979,844

(b) Realised gains/(losses)

	2019	2018
Fixed maturity investment		
– Available-for-sale financial assets	**96,264**	51,727
– Financial assets at fair value through profit or loss	**15,820**	(13,618)
Equity securities		
– Available-for-sale financial assets	**165,370**	(426,462)
– Financial assets at fair value through profit or loss	**163,667**	(176,314)
Total	**441,121**	(564,667)

(c) Unrealised gains/(losses)

	2019	2018
Fixed maturity investment		
– Financial assets at fair value through profit or loss	**21,426**	29,685
Equity securities		
– Financial assets at fair value through profit or loss	**710,184**	(198,338)
– Derivative financial instruments	**137,309**	12,142
Total	**868,919**	(156,511)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INVESTMENT INCOME (continued)

(d) Impairment losses on financial assets

	2019	2018
Fixed maturity investment		
– Investments classified as loans and receivables	**(126,393)**	–
Equity securities		
– Available-for-sale financial assets	**(464,167)**	(697,995)
Total	**(590,560)**	(697,995)

8 OTHER INCOME

	2019	2018
Fee income from investment contracts and insurance related business	**718,571**	1,731,251
Commission income arising from the tax collection of motor vehicles and vessels	**70,805**	130,901
Management fee income	**95,884**	126,122
Gains arising from the disposal of property and equipment	**51,355**	–
Sale of goods	**804,441**	72,169
Others	**269,296**	65,687
Total	**2,010,352**	2,126,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

9 CLAIMS AND POLICYHOLDERS' BENEFITS

	2019		
	Gross	**Ceded**	**Net**
Claims incurred	**63,903,884**	**(8,168,716)**	**55,735,168**
– Short-term life and health reinsurance	**13,673,939**	**(3,544,244)**	**10,129,695**
– Property and casualty reinsurance	**23,250,000**	**(2,571,160)**	**20,678,840**
– Primary property and casualty insurance	**26,979,945**	**(2,053,312)**	**24,926,633**
Life and health reinsurance death and other benefits paid	**33,108,391**	**(469,135)**	**32,639,256**
Changes in long-term life and health reinsurance contract liabilities	**6,651,623**	**354,188**	**7,005,811**
Total	**103,663,898**	**(8,283,663)**	**95,380,235**

	2018		
	Gross	Ceded	Net
Claims incurred	45,698,705	(3,849,884)	41,848,821
– Short-term life and health reinsurance	9,073,016	(2,957,334)	6,115,682
– Property and casualty reinsurance	14,934,190	(273,306)	14,660,884
– Primary property and casualty insurance	21,691,499	(619,244)	21,072,255
Life and health reinsurance death and other benefits paid	11,932,163	(927,859)	11,004,304
Changes in long-term life and health reinsurance contract liabilities	29,762,961	(1,037,961)	28,725,000
Total	87,393,829	(5,815,704)	81,578,125

10 HANDLING CHARGES AND COMMISSIONS

	2019	2018
Long-term life and health reinsurance	**(67,465)**	263,169
Short-term life and health reinsurance	**2,380,797**	1,952,620
Property and casualty reinsurance	**11,591,574**	10,338,149
Primary property and casualty insurance	**6,910,792**	6,778,234
Total	**20,815,698**	19,332,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

11 FINANCE COSTS

	2019	2018
Interest expenses		
Securities sold under agreements to repurchase	**457,277**	668,216
Notes and bonds payable	**809,864**	452,091
Long-term borrowings	**220,040**	1,898
Short-term borrowings	**15,973**	5,577
Lease liabilities	**36,382**	–
Total	**1,539,536**	1,127,782

12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2019	2018
Employee costs	**5,564,641**	4,165,627
Advertising and promotion expenses	**1,836,015**	1,868,674
Official and travel expenses	**1,066,423**	851,027
Interest expenses of policyholders' deposits and investment contracts	**1,101,947**	1,145,804
Rental expenses (note)	**197,585**	462,477
Consulting and other profession services expenses	**1,845,929**	1,330,664
Depreciation and amortisation	**1,108,466**	223,052
Insurance guarantee fund	**330,495**	335,627
Taxes and surcharges	**538,395**	495,166
Impairment losses charges	**140,076**	80,058
Outsourcing costs	**2,736,965**	1,953,817
Cost of sales of goods	**783,649**	95,652
Others	**1,720,580**	1,494,608
Total	**18,971,166**	14,502,253

Note: The Group has adopted IFRS 16 Leases from 1 January 2019. The current rental expenses are accounted for short-term leases and low-value leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

13 PROFIT BEFORE TAX

Profit before tax is recognised at after charging/(crediting) the following items:

	2019	2018
Employee costs (including directors' and supervisors' emoluments) (a) (note)	**6,772,308**	5,291,772
Depreciation of property and equipment (note)	**312,248**	256,163
Depreciation of investment properties (note)	**164,200**	3,656
Amortisation of intangible assets (note)	**289,256**	82,726
Depreciation of right-of-use assets (note)	**399,350**	–
Rental expenses (note)	**197,585**	550,870
Auditors' remuneration	**10,738**	9,738
Impairment losses on available-for-sale financial assets	**464,167**	697,995
Impairment losses on investments classified as loans and receivables	**126,393**	–
Impairment losses on premiums receivable	**135,277**	81,649
Impairment losses/(reversal) of reinsurance debtors	**3,516**	(4,256)
Impairment losses on other assets	**1,283**	2,665

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

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

	2019	2018
Salaries, allowances and performance related bonuses	**6,274,124**	4,836,714
Defined contribution plan	**488,803**	449,392
Defined benefit retirement plan	**9,381**	5,666
Total	**6,772,308**	5,291,772

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14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The total compensation package for these directors, and supervisors for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the relevant PRC authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's 2019 consolidated financial statements. The final compensation will be disclosed when determined.

	2019							
	Fees	Salaries	Discretionary Bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director/ supervisor	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors								
Mr. Yuan Linjiang	–	331	315	102	73	–	–	821
Mr. He Chunlei	–	331	315	102	72	–	–	820
Mr. Ren Xiaobing	–	298	275	102	73	–	–	748
Non-executive directors								
Ms. Lu Xiuli	–	–	–	–	–	–	–	–
Mr. Wen Ning (i)	–	–	–	–	–	–	–	–
Ms. Wang Xiaoya (iii)	–	–	–	–	–	–	–	–
Mr. Liu Xiaopeng (iv)	–	–	–	–	–	–	–	–
Mr. Shen Shuhai (ii)	–	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hao Yansu	250	–	–	–	–	–	–	250
Mr. Li Sanxi	250	–	–	–	–	–	–	250
Ms. Mok Kam Sheung	250	–	–	–	–	–	–	250
Ms. Jiang Bo	250	–	–	–	–	–	–	250
Supervisors								
Mr. Zhang Hong	–	248	236	76	56	–	–	616
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Zeng Cheng	–	–	–	–	–	–	–	–
Mr. Qin Yueguang	–	–	–	–	–	–	–	–
Mr. Li Jingye	–	–	–	–	–	–	–	–
Total	1,000	1,208	1,141	382	274	–	–	4,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(i) On 14 May 2019, Mr. Wen Ning has been elected as a Non-executive Director of the Company.

(ii) Mr. Shen Shuhai has been retired as a Non-executive Director of the Company since 14 May 2019.

(iii) On 7 August 2019, Ms. Wang Xiaoya has been elected as a Non-executive Director of the Company.

(iv) On 21 November 2019, Mr. Liu Xiaopeng has been elected as a Non-executive Director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	2018							
	Fees	Salaries	Discretionary Bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director/ supervisor	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors								
Mr. Yuan Linjiang	–	331	315	90	74	–	–	810
Mr. He Chunlei (i)(ix)	–	309	283	90	72	–	–	754
Mr. Wang Pingsheng (ii)(ix)	–	50	46	19	12	–	–	127
Mr. Ren Xiaobing	–	298	275	90	72	–	–	735
Non-executive directors								
Ms. Lu Xiuli	–	–	–	–	–	–	–	–
Mr. Shen Shuhai	–	–	–	–	–	–	–	–
Independent non-executive directors								
Ms. Wang Jun (iii)(ix)	125	–	–	–	–	–	–	125
Mr. Hao Yansu	250	–	–	–	–	–	–	250
Mr. Li Sanxi	250	–	–	–	–	–	–	250
Ms. Mok Kam Sheung	250	–	–	–	–	–	–	250
Ms. Jiang Bo (iv)(ix)	4	–	–	–	–	–	–	4
Supervisors								
Mr. Zhang Hong	–	331	315	90	74	–	–	810
Mr. Wei Shiping (vi)(ix)	–	–	–	–	–	–	–	–
Mr. Zhu Yong	–	–	–	–	–	–	–	–
Mr. Qin Yueguang (v)(ix)(x)	–	–	–	–	–	9	9	18
Mr. Li Jingye (v)(ix)(x)	–	–	–	–	–	9	9	18
Mr. Cao Shunming (vii)(ix)(x)	–	–	–	–	–	9	12	21
Mr. Tian Bo (vii)(ix)(x)	–	–	–	–	–	9	–	9
Mr. Zeng Cheng (viii)(ix)	–	–	–	–	–	–	–	–
Total	879	1,319	1,234	379	304	36	30	4,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(i) On 13 September 2018, the Board meeting appointed Mr. He Chunlei to be the Vice Chairman of the fourth session of the Board, effective from 13 September 2018.

(ii) On 9 February 2018, the shareholders' general meeting of the Company approved Mr. Wang Pingsheng's ceasing to be an executive Director of the Company.

(iii) On 28 June 2018, Ms. Wang Jun has retired as an Independent Non-executive Director of the Company.

(iv) On 28 June 2018, the shareholders' general meeting of the Company elected Ms. Jiang Bo to be an Independent Non-executive Director of the fourth session of the Board of the Company, effective from 13 December 2018, the date when the China Banking and Insurance Regulatory Commission ("CBIRC") approved her qualification as an Independent Non- executive Director. In 2018, Ms. Jiang Bo received no remuneration from the Company.

(v) Mr. Qin Yueguang and Mr. Li Jingye had been elected as Employee Representative Supervisors of the Company after the approval by the staff representative assembly on 20 April 2018, effective from the date of the official performance of the fourth session of the Board of Supervisors on 28 June 2018.

(vi) On 28 June 2018, Mr. Wei Shiping retired as a Shareholder Representative Supervisor of the Company.

(vii) Mr. Cao Shunming and Mr. Tian Bo have ceased to be Employee Representative Supervisors of the Company after the approval by the staff representative assembly on 20 April 2018, effective from the date of the official performance of the fourth session of the Board of Supervisors on 28 June 2018.

(viii) On 28 June 2018, the shareholders' general meeting of the Company elected Mr. Zeng Cheng to be a Shareholder Representative Supervisor of the Company, effective from the approval of his qualification as a Supervisor by the CBIRC on 25 July 2018.

(ix) The remuneration for approved and retired directors and supervisors were the compensation during their appointment.

(x) For Employee Representative Supervisors of the Company, the amounts set forth above only included fees for their services as supervisors.

The compensation amounts disclosed above for these directors and supervisors for the year ended 31 December 2018 were restated based on the finalised amounts determined during 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

	2019	2018
Salaries, allowances and benefits in kind	**13,353**	8,391
Discretionary bonuses	**40,420**	9,398
Employer's contribution to a retirement benefit scheme	**1,767**	507
Total	**55,540**	18,296

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose remuneration fell within the following bands is as follows:

	2019	2018
RMB3,000,001 to RMB3,500,000	**–**	2
RMB3,500,001 to RMB4,000,000	**–**	2
RMB4,000,001 to RMB4,500,000	**–**	1
RMB7,500,001 to RMB8,000,000	**1**	–
RMB8,000,001 to RMB8,500,000	**1**	–
RMB9,000,001 to RMB9,500,000	**1**	–
RMB9,500,001 to RMB10,000,000	**1**	–
RMB20,000,001 to RMB21,000,000	**1**	–
Total	**5**	5

The above emoluments are pre-tax. In 2019, the five individuals with the highest emoluments are employed by the newly acquired overseas insurance subsidiary Chaucer in 2018. The amount of remuneration listed includes a special retention bonus of approximately RMB14.7 million due to the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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16 INCOME TAX

	2019	2018
Current income tax		
Charge for the year	**1,917,047**	1,235,270
Adjustments in respect of prior years (i)	**(68,036)**	4,518
Deferred income tax	**(426,652)**	(53,972)
Total	**1,422,359**	1,185,816

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

	2019	2018
Profit before tax	**8,067,673**	5,084,802
Tax at the applicable tax rate of 25%	**2,016,918**	1,271,201
The effect of different tax rates of other countries and regions (ii)	**(59,771)**	8,268
Tax effect of non-deductible expenses	**85,465**	108,826
Tax effect of non-taxable income	**(564,886)**	(354,276)
Unused tax losses for which no deferred tax asset has been recognised	**25,121**	114,169
Previously unrecognised tax losses used to reduce deferred tax expense	**(45,879)**	–
Adjustments for prior years (i)	**(68,036)**	4,518
Withheld income tax on dividends received from associates	**33,427**	33,110
Income tax	**1,422,359**	1,185,816

(i) According to the Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers (No. 72, 2019) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation on 29 May 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. The impact of the Circular on income tax of the Group for 2018 is RMB63.99 million, which has been factored into the income tax for 2019.

(ii) The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2019 (the year ended 31 December 2018: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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17 DIVIDENDS

	2019	2018
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

18 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue.

	2019	2018
Net profit attributable to the equity shareholders of the parent	**6,049,345**	3,729,891
Weighted average number of ordinary shares (in thousands)	**42,479,808**	42,479,808
Basic and diluted earnings per share (in RMB)	**0.14**	0.09

There were no potential diluted ordinary shares in issue during the year ended 31 December 2019 (31 December 2018: Nil), so the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

19 OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX

	2019	2018
Items that may not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	42,119	(12,153)
Sub-total	42,119	(12,153)
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of associates	166,974	(72,874)
Income tax	(10,927)	(28,195)
Sub-total	156,047	(101,069)
Gains/(losses) arising from changes in fair value of available-for-sale financial assets	5,577,557	(1,306,799)
Less: Reclassification adjustments for amounts transferred to profit or loss		
– (Gains)/losses on disposal	(261,634)	374,735
– Impairment losses	464,167	697,995
Income tax	(1,303,974)	138,404
Sub-total	4,476,116	(95,665)
Exchange differences on translation of financial statements of overseas subsidiaries	34,354	(16,905)
Total	4,708,636	(225,792)
Attributable to:		
Equity shareholders of the Company	4,309,349	(191,217)
Non-controlling interests	399,287	(34,575)
Total	4,708,636	(225,792)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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20 CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2019	31 December 2018
Cash at banks and on hand	**6,536,321**	6,270,431
Time deposits with original maturity of no more than three months	**11,840,982**	6,132,310
Other monetary deposits	**1,885,170**	828,187
Total	**20,262,473**	13,230,928

As at 31 December 2019, cash and short-term time deposits of RMB1,976,106 thousand (31 December 2018: RMB1,125,455 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Listed		
Fixed maturity investment		
Corporate bonds	**2,040,006**	635,440
Equity securities		
Investment funds	**1,444,296**	938,491
Stocks	**720,246**	357,687
Sub-total	**4,204,548**	1,931,618
Unlisted		
Fixed maturity investment		
Government bonds	**291,253**	259,198
Equity securities		
Investment funds	**3,457,687**	5,133,605
Embedded derivatives	**39,800**	226,360
Structured notes (note)	**3,862,958**	3,174,933
Sub-total	**7,651,698**	8,794,096
Total	**11,856,246**	10,725,714

Note: The structured notes are issued by closed-end funds of which the underlying assets are offshore dollar debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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22 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are mainly for the Group to hedge in the foreign exchange market. The Group actively manage foreign exchange risk through hedging with external counterparties and ensure that the net risk taken by the Group is within the acceptable risk level.

The contract notional amount and fair value of derivative financial instruments is as follows. The contract notional amount of derivative financial instruments is only the basis of comparing fair value of assets or liabilities recognised in balance sheet. It does not reflect the future cash flow or present fair value, therefore cannot reflect the risk faced by the Group. Hedging instruments are derivative financial instruments meeting the hedge accounting applicable requirements. Non hedging instruments are those that do not meet the hedge accounting applicable requirements.

	31 December 2019		
	Nominal amount	**Assets**	**Liabilities**
Hedging Instruments			
Fair value hedge			
– Currency swap(a)	**4,508,476**	**411,129**	**–**
Total	**4,508,476**	**411,129**	**–**

	31 December 2018		
	Nominal amount	Assets	Liabilities
Hedging Instruments			
Fair value hedge			
– Currency swap(a)	4,526,819	175,403	–
Total	4,526,819	175,403	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Derivatives designated as hedging instruments

Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in foreign exchange rates by using foreign currency forward contracts. Hedged item include equity investments classified as available-for-sale financial assets.

Net profit/(loss) derived from fair value hedge is as follows:

	2019	2018
Hedging Instruments	**91,894**	211,844
Hedged item	**(91,894)**	(211,844)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2019 and 2018.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements of the Group contain only securities held under resale agreements, with details as follows:

	31 December 2019	31 December 2018
Securities – bonds traded in		
Stock exchange	**2,643,400**	1,431,100
Inter-bank market	**337,815**	1,165,287
Total	**2,981,215**	2,596,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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24 PREMIUMS RECEIVABLE

	31 December 2019	31 December 2018
Premiums receivable	**15,102,334**	11,266,770
Less: impairment provision	**(346,371)**	(211,094)
Premiums receivable, net	**14,755,963**	11,055,676

(a) Aging analysis

	31 December 2019	31 December 2018
Within 3 months (inclusive)	**14,267,296**	10,684,959
3 months to 1 year (inclusive)	**574,926**	388,856
1 to 2 years (inclusive)	**154,953**	105,400
Over 2 years	**105,159**	87,555
Total	**15,102,334**	11,266,770
Less: impairment provision	**(346,371)**	(211,094)
Net	**14,755,963**	11,055,676

(b) Impairment provision of premiums receivable

	31 December 2019	31 December 2018
At the beginning of the year	**211,094**	129,477
Net charge for the period	**135,277**	81,649
Written off	**–**	(32)
At the end of the year	**346,371**	211,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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25 REINSURANCE DEBTORS

	31 December 2019	31 December 2018
Reinsurance debtors	**56,071,043**	49,774,984
Less: impairment provision	**(131,478)**	(126,718)
Reinsurance debtors, net	**55,939,565**	49,648,266

(a) Aging analysis

	31 December 2019	31 December 2018
Within 3 months (inclusive)	**49,535,046**	44,867,509
3 months to 1 year (inclusive)	**4,499,732**	2,452,189
1 to 2 years (inclusive)	**1,404,705**	1,242,676
Over 2 years	**631,560**	1,212,610
Total	**56,071,043**	49,774,984
Less: impairment provision	**(131,478)**	(126,718)
Net	**55,939,565**	49,648,266

(b) Impairment provision of reinsurance debtors

	2019	2018
At the beginning of the year	**126,718**	118,685
Acquisition of subsidiaries	**–**	9,437
Charge for the year	**6,072**	10,120
Reversal for the year	**(2,556)**	(14,376)
Exchange difference	**1,244**	2,852
At the end of the year	**131,478**	126,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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26 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2019	31 December 2018
Investment contracts receivable	**3,433,251**	2,831,865
Less: impairment provision	**–**	–
Investment contracts receivable, net	**3,433,251**	2,831,865
Within 3 months (inclusive)	**3,433,251**	2,831,865
Total	**3,433,251**	2,831,865
Less: impairment provision	**–**	–
Net	**3,433,251**	2,831,865

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

27 TIME DEPOSITS

	31 December 2019	31 December 2018
Within 3 months (inclusive)	**306,960**	1,696,180
3 months to 1 year (inclusive)	**3,286,453**	2,398,904
2 to 3 years (inclusive)	**313,929**	5,000
3 to 4 years (inclusive)	**–**	308,844
Total	**3,907,342**	4,408,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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28 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2019	31 December 2018
Listed		
Fixed maturity investment		
Government bonds	**2,517,482**	452,854
Financial bonds	**516,639**	726,336
Corporate bonds	**23,952,984**	18,903,974
Assets backed securities	**164,407**	197,847
Equity securities		
Investment funds	**1,194,825**	884,630
Stocks	**17,868,420**	11,217,096
Others	**194,947**	–
Sub-total	**46,409,704**	32,382,737
Unlisted		
Fixed maturity investment		
Government bonds	**6,038,930**	5,515,809
Financial bonds	**18,239,791**	12,112,484
Corporate bonds	**24,710,488**	24,569,478
Subordinated bonds	**757,074**	824,692
Other fixed maturity investment	**1,695,216**	1,307,662
Equity securities		
Investment funds	**11,605,699**	7,608,288
Unlisted equity investments	**6,539,846**	6,414,147
Equity investment plans	**1,352,182**	1,151,277
Products from insurance asset managers	**53,455**	93,072
Sub-total	**70,992,681**	59,596,909
Total	**117,402,385**	91,979,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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29 HELD-TO-MATURITY INVESTMENTS

	31 December 2019	31 December 2018
Listed		
Government bonds	12,738	102,158
Corporate bonds	11,593,422	12,385,310
Sub-total	11,606,160	12,487,468
Unlisted		
Government bonds	111,254	110,703
Financial bonds	966,692	1,038,939
Corporate bonds	13,432,448	13,874,152
Subordinated bonds	8,476,729	8,386,294
Sub-total	22,987,123	23,410,088
Total	34,593,283	35,897,556

30 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2019	31 December 2018
Debt investment plans	10,694,791	12,306,183
Trust schemes	11,666,591	5,848,864
Asset backed securities	2,871,517	1,867,848
Loans	18,420,263	20,042,389
Subordinated debts	200,000	1,000,000
Less: impairment provision	(126,393)	–
Total	43,726,769	41,065,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION

(1) Particulars of the Company's primary subsidiaries as at 31 December 2019 are as follows:

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Re P&C	Beijing	Registered share capital of RMB11,482,250,000	100.00%	–	Property and casualty reinsurance, China
China Re Life	Beijing	Registered share capital of RMB8,170,000,000	100.00%	–	Life and health reinsurance, China
China Continent Insurance	Shanghai	Registered share capital of RMB15,115,918,986	64.30%	–	Primary property and casualty insurance, China
China Re AMC	Beijing	Registered share capital of RMB1,500,000,000	70.00%	26.43%	Management of insurance investments, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency")	Beijing	Registered share capital of RMB50,000,000	52.50%	–	Insurance brokerage, risk evaluation and management, China
China Re UK Limited	London	Paid-in capital of GBP300,000	100.00%	–	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	Paid-in capital of GBP18,000,000	100.00%	–	Underwriting agency, UK
China Re Hong Kong Company Limited	Hong Kong	Paid-in capital of USD350,000,000	100.00%	–	Investment Holding, HK
China Re Asset Management (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD100,000,000	–	96.43%	Investment management, HK
China Continent Insurance E-commerce Co.Ltd	Ningbo	Registered share capital of RMB1,200,000,000	–	64.30%	E-commerce, China

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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31 SCOPE OF CONSOLIDATION (continued)

(1) Particulars of the Company's primary subsidiaries as at 31 December 2019 are as follows: (continued)

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Continent Insurance Agent Co. Ltd	Shanghai	Registered share capital of RMB150,000,000	–	64.30%	Insurance brokerage, China
China Re Catastrophe Risk Management Company Ltd	Chongqing	Registered share capital of RMB100,000,000	–	70.00%	Risk advisory, management consulting, China
China Re International Company Limited	London	Paid-in capital of USD320,000,000	–	100.00%	Investment Holding, UK
CRIH	London	Paid-in capital of USD475,919,560	–	100.00%	Investment Holding, UK
Chaucer Holdings Limited ("Chaucer")	London	Paid-in capital of GBP 139,296,892	–	100.00%	Property and casualty reinsurance, Primary property and casualty insurance, UK
China Reinsurance (Hong Kong) Company Limited (i)	Hong Kong	Paid-in capital of HKD2,000,000,000	–	100.00%	Life and annuity reinsurance, HK
CIC (i)	Dublin	Paid-in capital of USD1,000,001	–	100.00%	Specialty insurance, Ireland
CRAH (i)	Sydney	Paid-in capital of USD16,574,495	–	100.00%	Insurance agent, broker services, Australia
China Reinsurance Finance Corporation Limited	Hong Kong	Paid-in capital of HKD60,000,000	–	100.00%	Bond Issue and Investment, HK

(i) These entities were newly in scope of consolidation in 2019.

Note: As at 31 December 2019, all the Company's primary subsidiaries registered in mainland China are companies with limited liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

31 SCOPE OF CONSOLIDATION (continued)

(2) As at 31 December 2019, the Company consolidated the following structured entities:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Zhongzai Alternative Equity Fund	RMB1,241,393,143	100.00%	Investment in private equity
China Re Ruiqi Asset Management Product	RMB2,470,576,259	77.81%	Investment in debt/debt investment plan/Trust
China Re Ruiqi 2nd Asset Management Product	RMB30,000,750	100.00%	Investment in debt
China Re Ruitong 1st Asset Management Product	RMB121,151,833	70.10%	Investment in equity
China Re Bairong Shimao Mall Debt Investment Plan	RMB7,460,000,000	90.62%	Investment in loans
China Re Subway Sixteen Equity Investment Plan	RMB7,000,000,000	65.00%	Investment in loans
China Re Fangzheng Hangzhou Real Estate Debt Investment Plans	RMB500,000,000	100.00%	Investment in loans
China Re Tianjin Zhongjia Ecology Distric Real Estate Debt Investment Plan	RMB1,394,000,000	64.56%	Investment in loans
China Re Zhongye Hengqin Real Estate Debt Investment Plans	RMB1,000,000,000	57.00%	Investment in loans
Huaxin Trust Haorui No. 36 Hongdao Trust Investment Plans	RMB255,789,395	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Xining Trust Investment Plans	RMB262,121,041	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Tongtian Trust Investment Plans	RMB264,216,127	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Guangde Trust Investment Plans	RMB284,136,831	100.00%	Investment in loans

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

32 STATUTORY DEPOSITS

In accordance with relevant provision of Insurance Law of the PRC, the Company, China Re P&C, China Re Life and China Continent Insurance should place certain portion of its issued capital as restricted statutory deposits, respectively.

Details of the Group's statutory deposits are as follows:

	31 December 2019	31 December 2018
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	**3,073,184**	3,023,184
Total	**15,723,184**	16,073,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

33 INVESTMENT PROPERTIES

	Buildings	Construction In progress	Total
Cost			
Balance at 1 January 2018	–	2,748,309	2,748,309
Additions during the year	2,366,724	93,121	2,459,845
Transfers from Construction in progress to buildings	2,691,357	(2,691,357)	–
Transfers to Property and equipment	–	(150,073)	(150,073)
Balance at 31 December 2018	5,058,081	–	5,058,081
Additions during the year	**3,001,546**	**–**	**3,001,546**
Transfers from Construction in progress to buildings	**–**	**–**	**–**
Transfers to Property and equipment	**–**	**–**	**–**
Balance at 31 December 2019	**8,059,627**	**–**	**8,059,627**
Less: Accumulated depreciation			
Balance at 1 January 2018	–	–	–
Charge for the year	(3,656)	–	(3,656)
Balance at 31 December 2018	(3,656)	–	(3,656)
Charge for the year	**(164,200)**	**–**	**(164,200)**
Balance at 31 December 2019	**(167,856)**	**–**	**(167,856)**
Carrying amount			
Balance at 31 December 2019	**7,891,771**	**–**	**7,891,771**
Balance at 31 December 2018	5,054,425	–	5,054,425

The fair values of the investment properties were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy. As at 31 December 2019, the fair value of investment properties was RMB9,058 million (31 December 2018: RMB5,646 million).

As at 31 December 2019, the Group was in the process of completing the ownership documentation of certain investment properties with a net carrying value of RMB6,958 million (31 December 2018: RMB5,051 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

34 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction In progress	Leasehold improvement	Total
Cost							
Balance at 1 January 2018	2,745,788	76,851	325,882	711,334	52,763	294,897	4,207,515
Acquisition of subsidiaries	–	–	–	9,291	–	–	9,291
Additions during the year	–	15,798	19,349	133,687	91,094	80,612	340,540
Transfer from investment properties	–	–	–	–	150,073	–	150,073
Transfers upon completion	46,955	–	–	11,362	(58,317)	–	–
Disposals during the year	(119,576)	(6,316)	(32,860)	(49,617)	–	–	(208,369)
Balance at 31 December 2018	2,673,167	86,333	312,371	816,057	235,613	375,509	4,499,050
Acquisition of subsidiaries	–	–	–	6,696	–	–	6,696
Additions during the year	76,833	14,200	21,112	147,858	232,779	77,416	570,198
Transfers upon completion	263,654	–	–	7,707	(271,361)	–	–
Disposals during the year	–	(3,975)	(22,821)	(65,927)	–	–	(92,723)
Balance at 31 December 2019	**3,013,654**	**96,558**	**310,662**	**912,391**	**197,031**	**452,925**	**4,983,221**
Less: Accumulated depreciation							
Balance at 1 January 2018	(657,871)	(55,862)	(192,917)	(488,545)	–	(188,234)	(1,583,429)
Charge for the year	(89,045)	(7,124)	(32,328)	(71,939)	–	(55,727)	(256,163)
Written back on disposals	33,798	6,202	30,922	48,571	–	–	119,493
Balance at 31 December 2018	(713,118)	(56,784)	(194,323)	(511,913)	–	(243,961)	(1,720,099)
Charge for the year	(111,252)	(8,611)	(33,447)	(95,522)	–	(63,416)	(312,248)
Written back on disposals	–	3,008	19,222	34,290	–	–	56,520
Balance at 31 December 2019	**(824,370)**	**(62,387)**	**(208,548)**	**(573,145)**	**–**	**(307,377)**	**(1,975,827)**
Carrying amount							
Balance at 31 December 2019	**2,189,284**	**34,171**	**102,114**	**339,246**	**197,031**	**145,548**	**3,007,394**
Balance at 31 December 2018	1,960,049	29,549	118,048	304,144	235,613	131,548	2,778,951

As at 31 December 2019, the Group was in the process of completing the ownership documentation of certain buildings with a net carrying value of RMB502 million (31 December 2018: RMB372 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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35 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019
Right-of-use assets		
Buildings	**1,166,650**	1,190,387
Equipment	**386**	204
Vehicles	**1,765**	924
Others	**7,761**	6,973
Total	**1,176,562**	1,198,488
Lease liabilities	**1,117,491**	1,076,327

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

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

	2019
Depreciation charge of right-of-use assets	
Buildings	**397,196**
Equipment	**121**
Vehicles	**693**
Others	**1,340**
Total	**399,350**
Interest expense on lease liabilities	**36,382**
Expense relating to leases of low-value assets and short-term leases applied the simplified approach	**197,585**
Total cash outflow for lease	**534,448**

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36 INTANGIBLE ASSETS

	VOBA	Syndicate capacity	Distribution channel	Trademark	Software	Total
Cost						
Balance at 1 January 2018	420,059	–	–	–	600,912	1,020,971
Acquisition of subsidiaries	145,219	934,291	602,493	–	24,232	1,706,235
Additions during the year	–	–	–	–	176,811	176,811
Disposals during the year	–	–	–	–	(19)	(19)
Balance at 31 December 2018	565,278	934,291	602,493	–	801,936	2,903,998
Acquisition of subsidiaries	–	–	11,860	3,488	4,119	19,467
Additions during the year and exchanges differences	2,391	15,383	9,920	–	304,903	332,597
Disposals during the year	–	–	–	–	(68)	(68)
Balance at 31 December 2019	**567,669**	**949,674**	**624,273**	**3,488**	**1,110,890**	**3,255,994**
Less: Accumulated amortisation						
Balance at 1 January 2018	(347,895)	–	–	–	(269,074)	(616,969)
Charge for the year	(9,210)	–	–	–	(73,516)	(82,726)
Balance at 31 December 2018	(357,105)	–	–	–	(342,590)	(699,695)
Charge for the year	(126,495)	–	(46,903)	(262)	(115,596)	(289,256)
Disposals for the year	–	–	–	–	68	68
Balance at 31 December 2019	**(483,600)**	**–**	**(46,903)**	**(262)**	**(458,118)**	**(988,883)**
Carrying amount						
Balance at 31 December 2019	**84,069**	**949,674**	**577,370**	**3,226**	**652,772**	**2,267,111**
Balance at 31 December 2018	208,173	934,291	602,493	–	459,346	2,204,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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36 INTANGIBLE ASSETS (continued)

The group tests whether Syndicate capacity has suffered any impairment on an annual basis. The Syndicate capacity is arising from the business combination of CRIH along with the goodwill which are recognised as the same cash-generating units (CGUs). The recoverable amount of CGUs was determined based on the value-in-use ('VIU') method. This CGU does not need to charge the impairment provision. Key assumptions used include:

	2019
Risk adjusted discount rate	**9%**
Sustainable growth rate	**2.5%**

37 INVESTMENTS IN ASSOCIATES

	31 December 2019	31 December 2018
Carrying amount		
– Listed shares	**18,944,197**	15,885,680
– Unlisted shares	**5,117,332**	5,300,211
Total	**24,061,529**	21,185,891

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

Name of associate	**Place of incorporation and business**	**Registered capital (in RMB millions)**	**Principal activities**
China Everbright Bank Company Limited ("CEB")	China	52,489	Commercial banking

	Proportion of ownership interest		
	Group's effective interest	**Held by the Company**	**Held by a subsidiary**
31 December 2019	**4.42%**	**1.50%**	**2.92%**
31 December 2018	4.42%	1.50%	2.92%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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37 INVESTMENTS IN ASSOCIATES (continued)

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

The Group has significant influence over CEB through a group representative being a director of CEB. with the power to participate in the financial and operating policy decisions of CEB. As such, the interest in this associate is accounted for using the equity method. Whereby the investment is initially recognised at cost and adjusted change in the Group's share of CEB's net assets. An impairment test is required if there is any indication of impairment.

As at 31 December 2019, the market value of the Group's investment in CEB was RMB8,005 million (31 December 2018: RMB7,192 million).

At 31 December 2019, the fair value of the Group's investment in CEB had been below the carrying amount. As a result, the Group performed an impairment test on the carrying amount, which confirmed that there was no impairment at 31 December 2019 as the recoverable amount as determined by a VIU calculation was higher than the carrying value.

	As At 31 December 2019 (in RMB millions)		
	VIU	**Carrying value**	**Fair value**
CEB	**16,076**	**13,873**	**8,005**

The impairment test was performed by comparing the recoverable amount of CEB, determined by a VIU calculation, with its carrying amount. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36. Significant management judgement is required in arriving at the best estimate.

Management used a number of assumptions in our VIU calculation:

	2019
Discount rate	**10.6%**
Sustainable growth rate	**3%**
Capital adequacy ratio	**11.5%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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37 INVESTMENTS IN ASSOCIATES (continued)

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

The following table sets out the key financial statements of the Group's major associate adjusted for fair value adjustments at the time of acquisition and the differences in adopting accounting policies of the Group.

	CEB (in RMB millions)	
	2019	2018
Gross amounts of the associate		
Operating income	**132,939**	110,386
Profit before tax	**45,163**	40,852
Net profit (i)	**37,354**	33,659
Other comprehensive income (i)	**1,082**	3,500
Total comprehensive income (i)	**38,436**	37,159
Total assets	**4,733,431**	4,357,332
Total liabilities	**4,347,377**	4,034,859
Net assets (ii)	**313,634**	285,099
Non-controlling interests	**1,072**	985
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate (ii)	**313,634**	285,099
Group's effective interest	**4.42%**	4.42%
Group's share of net assets of the associate	**13,873**	12,611
Carrying amount in the financial statements	**13,873**	12,611
Dividends received from the associate for the year	**374**	420

(i) Amount attributable to shareholders of the associate.

(ii) Amount attributable to preferred shareholders of the associate and goodwill are not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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37 INVESTMENTS IN ASSOCIATES (continued)

(b) **Particulars of other associates accounted for using the equity method are summarised as follows:**

	2019	2018
Aggregate carrying amount of investments	**10,188,636**	8,575,016
Aggregate amount of share of:		
– Net profit	**562,596**	286,280
– Other comprehensive income	**281,989**	90,903
– Change in capital reserve	**(654)**	48,506
Total	**843,931**	425,689

38 GOODWILL

	31 December 2019	31 December 2018
Cost		
– China Re P&C	**650,529**	650,529
– China Re Life	**463,630**	463,630
– China Continent Insurance	**74,379**	74,379
– CRIH	**423,343**	371,126
– CRAH	**20,442**	–
– CIC	**3,372**	–
Total	**1,635,695**	1,559,664
Less: impairment provision	**–**	–
Carrying amount	**1,635,695**	1,559,664

The Company completed its acquisition of CIC on 14 February 2019 and CRAH on 10 April 2019. The above acquisition consideration is USD27.76 million and USD2.94 million respectively, paid in cash, and produced goodwill RMB3.37 million and RMB20.44 million.

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38 GOODWILL (continued)

When assessing the impairment of goodwill, the main valuation techniques used to determine the recoverable amount of the groups of assets (or groups of cash-generating units) is the VIU method. The Group uses VIU method to conduct goodwill impairment test for China Re P&C, China Re Life, China Continent Insurance, CRIH and CIC. It is based on their Group's five years business plans, and cash flows beyond five years are extrapolated using a steady growth rate and terminal value. Key assumptions used include:

	2019	2018
Risk adjusted discount rate	**9%-11%**	10.5%-11%
Investment yield	**4.5%-5%**	3.8%-6%
Sustainable growth rate	**2%-3%**	2%

The results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units.

39 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities

	31 December 2019	31 December 2018
Deferred tax assets	**1,314,116**	1,542,887
Deferred tax liabilities	**(1,860,121)**	(1,136,075)
Net	**(546,005)**	406,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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39 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred tax assets and deferred tax liabilities

	2019			
	Balance at 31 December 2018	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to reserves**	**Balance at 31 December 2019**
Available-for-sale financial assets	22,787	**–**	**(1,303,974)**	**(1,281,187)**
Financial assets at fair value through profit or loss	(49,181)	**(37,097)**	**–**	**(86,278)**
Impairment provisions	313,822	**11,845**	**–**	**325,667**
Premiums and reserves	1,516,176	**736,417**	**–**	**2,252,593**
Investment in associates	(1,654,746)	**(402,032)**	**(10,927)**	**(2,067,705)**
Payables to employees	272,398	**29,551**	**(7,960)**	**293,989**
Others	(14,444)	**87,968**	**(56,608)**	**16,916**
Total	406,812	**426,652**	**(1,379,469)**	**(546,005)**

	2018						
	Balance at 31 December 2017	Impact of change in accounting policy in associates	Restated balance as at 1 January 2018	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Acquisition of subsidiaries	Balance at 31 December 2018
Available-for-sale financial assets	(115,617)	–	(115,617)	–	138,404	–	22,787
Financial assets at fair value through profit or loss	(60,413)	–	(60,413)	11,232	–	–	(49,181)
Impairment provisions	167,677	–	167,677	146,145	–	–	313,822
Premiums and reserves	1,354,951	–	1,354,951	271,976	–	(110,751)	1,516,176
Investment in associates	(1,379,688)	89,731	(1,289,957)	(343,573)	(21,216)	–	(1,654,746)
Payables to employees	175,696	–	175,696	3,972	–	92,730	272,398
Others	(107,739)	–	(107,739)	(35,780)	–	129,075	(14,444)
Total	34,867	89,731	124,598	53,972	117,188	111,054	406,812

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39 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred tax assets and deferred tax liabilities (continued)

The estimated schedule of recoverability of deferred tax assets and liabilities is shown as follows:

	31 December 2019	31 December 2018
To be recovered within 12 months (inclusive)	**935,258**	1,782,550
To be recovered after more than 12 months	**(1,481,263)**	(1,375,738)
Total	**(546,005)**	406,812

40 OTHER ASSETS

	31 December 2019	31 December 2018
Investment contract assets	**1,618,216**	1,115,941
Subscription prepayment for securities and securities clearance receivable	**72,952**	125,511
Interest receivables	**4,256,083**	3,915,944
Deposits retained by other parties	**1,761,772**	1,752,142
Handling charges prepaid	**227,814**	227,979
Claims prepaid	**735,627**	958,194
Deferred expenses	**46,882**	170,513
Tax prepaid	**649,272**	431,922
Overseas deposits	**951,889**	795,912
Real estate prepaid	**–**	1,234,132
Others	**1,314,990**	839,775
Total	**11,635,497**	11,567,965
Less: impairment provision	**(21,439)**	(21,681)
Net	**11,614,058**	11,546,284

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41 SHORT-TERM BORROWINGS

	31 December 2019	31 December 2018
Short-term borrowings	**732,349**	521,569
Total	**732,349**	521,569

As at 31 December 2019, the Group holds an unsecured short-term borrowing of GBP 75 million (31 December 2018: GBP 60 million) with a coupon rate of Libor plus 1.85%, which will be repayable within one year; and unsecured short-term borrowings of RMB30 million and RMB15 million with a coupon rate of 4.5% and 8.5%, respectively, which will be repayable within one year.

42 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2019	31 December 2018
Securities sold under agreements to repurchase		
– Stock exchange	**15,720,600**	12,186,489
– Inter-bank market	**5,767,151**	2,007,487
Total	**21,487,751**	14,193,976

As at 31 December 2019, the carrying amount of RMB26,421 million bonds (31 December 2018: RMB22,823 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.

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43 REINSURANCE PAYABLES

	31 December 2019	31 December 2018
Reinsurance payables	**17,947,144**	12,929,525

(a) Aging analysis

	31 December 2019	31 December 2018
Within 3 months (inclusive)	**13,795,038**	9,965,322
3 months to 1 year (inclusive)	**3,037,649**	2,032,918
1 to 2 years (inclusive)	**514,042**	525,585
Over 2 years	**600,415**	405,700
Total	**17,947,144**	12,929,525

44 INVESTMENT CONTRACT LIABILITIES

	2019	2018
At the beginning of the year	**15,809,209**	12,946,807
Additions	**9,805,379**	7,609,728
Payments, surrenders, recaptures	**(4,069,977)**	(4,060,857)
Fees deducted	**(374,056)**	(1,390,432)
Interest credited	**896,258**	703,963
At the end of the year	**22,066,813**	15,809,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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45 INSURANCE CONTRACT LIABILITIES

	31 December 2019		
	Insurance contract liabilities	**Reinsurers' share**	**Net**
Long-term life and health reinsurance contracts (a)	**83,199,299**	**(1,629,477)**	**81,569,822**
Short-term life and health reinsurance contracts (b)			
– Claim reserves	**10,494,164**	**(4,437,254)**	**6,056,910**
– Unearned premium reserves	**5,005,912**	**(369,763)**	**4,636,149**
Property and casualty reinsurance contracts (c)			
– Claim reserves	**37,139,884**	**(5,075,507)**	**32,064,377**
– Unearned premium reserves	**11,614,965**	**(808,629)**	**10,806,336**
Primary property and casualty insurance contracts (d)			
– Claim reserves	**19,714,635**	**(4,481,176)**	**15,233,459**
– Unearned premium reserves	**24,468,209**	**(1,371,797)**	**23,096,412**
Total insurance contract liabilities	**191,637,068**	**(18,173,603)**	**173,463,465**

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	76,329,229	(1,983,665)	74,345,564
Short-term life and health reinsurance contracts (b)			
– 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 (c)			
– 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 (d)			
– 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

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45 INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life and health reinsurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	46,133,081	(945,704)	45,187,377
Additions	40,932,287	(1,866,219)	39,066,068
Payments	(3,567,223)	308,487	(3,258,736)
Surrenders	(8,364,940)	619,372	(7,745,568)
Others	1,196,024	(99,601)	1,096,423
At 31 December 2018	76,329,229	(1,983,665)	74,345,564
Additions	**41,959,117**	**(191,667)**	**41,767,450**
Payments	**(2,293,021)**	**477,752**	**(1,815,269)**
Surrenders	**(30,815,370)**	**(8,617)**	**(30,823,987)**
Others	**(1,980,656)**	**76,720**	**(1,903,936)**
At 31 December 2019	**83,199,299**	**(1,629,477)**	**81,569,822**

(b) Short-term life and health reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	4,368,031	(1,278,375)	3,089,656
Claims incurred	9,073,016	(2,957,334)	6,115,682
Claims paid	(6,597,013)	1,810,935	(4,786,078)
At 31 December 2018	6,844,034	(2,424,774)	4,419,260
Claims incurred	**13,673,939**	**(3,544,244)**	**10,129,695**
Claims paid	**(10,023,809)**	**1,531,764**	**(8,492,045)**
At 31 December 2019	**10,494,164**	**(4,437,254)**	**6,056,910**

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45 INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life and health reinsurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	2,457,667	(283,032)	2,174,635
Premiums written	12,620,441	(3,294,447)	9,325,994
Premiums earned	(11,030,760)	3,236,644	(7,794,116)
At 31 December 2018	4,047,348	(340,835)	3,706,513
Premiums written	**17,183,861**	**(3,961,136)**	**13,222,725**
Premiums earned	**(16,225,297)**	**3,932,208**	**(12,293,089)**
At 31 December 2019	**5,005,912**	**(369,763)**	**4,636,149**

(c) Property and casualty reinsurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	24,342,648	(751,526)	23,591,122
Acquisition of subsidiaries	8,845,039	(3,541,259)	5,303,780
Claims incurred	14,934,190	(273,306)	14,660,884
Claims paid	(14,275,674)	339,125	(13,936,549)
At 31 December 2018	33,846,203	(4,226,966)	29,619,237
Claims incurred	**23,250,000**	**(2,571,160)**	**20,678,840**
Claims paid	**(19,956,319)**	**1,722,619**	**(18,233,700)**
At 31 December 2019	**37,139,884**	**(5,075,507)**	**32,064,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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45 INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty reinsurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	7,743,803	(266,555)	7,477,248
Acquisition of subsidiaries	1,449,337	(516,511)	932,826
Premiums written	27,106,861	(915,382)	26,191,479
Premiums earned	(26,281,933)	930,961	(25,350,972)
At 31 December 2018	10,018,068	(767,487)	9,250,581
Premiums written	**36,454,640**	**(2,779,192)**	**33,675,448**
Premiums earned	**(34,857,743)**	**2,738,050**	**(32,119,693)**
At 31 December 2019	**11,614,965**	**(808,629)**	**10,806,336**

(d) Primary property and casualty insurance contracts

(i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	8,402,478	(914,137)	7,488,341
Acquisition of subsidiaries	7,690,725	(3,079,111)	4,611,614
Claims incurred	21,691,499	(619,244)	21,072,255
Claims paid	(19,757,497)	722,388	(19,035,109)
At 31 December 2018	18,027,205	(3,890,104)	14,137,101
Claims incurred	**26,979,945**	**(2,053,312)**	**24,926,633**
Claims paid	**(25,292,515)**	**1,462,240**	**(23,830,275)**
At 31 December 2019	**19,714,635**	**(4,481,176)**	**15,233,459**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

45 INSURANCE CONTRACT LIABILITIES (continued)

(d) Primary property and casualty insurance contracts (continued)

(ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	14,678,598	(441,472)	14,237,126
Acquisition of subsidiaries	1,990,497	(709,368)	1,281,129
Premiums written	42,739,777	(1,792,078)	40,947,699
Premiums earned	(39,789,569)	1,685,793	(38,103,776)
At 31 December 2018	19,619,303	(1,257,125)	18,362,178
Premiums written	**53,028,045**	**(3,409,381)**	**49,618,664**
Premiums earned	**(48,179,139)**	**3,294,709**	**(44,884,430)**
At 31 December 2019	**24,468,209**	**(1,371,797)**	**23,096,412**

46 NOTES AND BONDS PAYABLE

	31 December 2019	31 December 2018
Bonds payable	**8,995,671**	8,996,100
Notes payable	**10,394,341**	10,196,023
Total	**19,390,012**	19,192,123

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46 NOTES AND BONDS PAYABLE (continued)

The following table indicates the balances of notes and corporate bonds issued by the Group as at the end of 2019:

Issuer	Type	Par value	Coupon rate	Issued year	Maturity
China Reinsurance Finance Corporation Limited	Notes	800 (in USD million)	3.375%	2017	2022
China Reinsurance Finance Corporation Limited	Notes	700 (in USD million)	3.375%	2017	2022
China Re P&C	Capital Supplementary bonds	4,000 (in RMB million)	First 5 years: 4.97% Next 5 years: 5.97% (if not redeemed)	2018	2028
China Re Life	Capital Supplementary bonds	5,000 (in RMB million)	First 5 years: 4.80% Next 5 years: 5.80% (if not redeemed)	2018	2028

47 LONG-TERM BORROWINGS

	31 December 2019	31 December 2018
Bank loans	**3,821,130**	3,577,107
Total	**3,821,130**	3,577,107

As at 31 December 2019, the Group holds a long-term borrowing of USD550 million (31 December 2018: USD524 million) with a coupon rate of 4.7%, and the term is 60 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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48 OTHER LIABILITIES

	31 December 2019	31 December 2018
Claims payable	**350,875**	586,761
Premiums received in advance	**2,220,195**	2,260,928
Salaries and welfare payable	**1,821,168**	1,686,679
Defined benefit obligation (1)	**164,301**	202,542
Unallocated cash	**509,274**	390,054
Insurance guarantee fund payable	**127,621**	115,091
Property and equipment payables	**345,327**	361,588
Deposits from cedants	**665,696**	581,601
Securities clearance payable	**233,920**	225,556
Handling charges and commissions payable	**807,607**	601,536
Taxes payable	**238,137**	247,709
Payable to third party investors of consolidated structured entities	**4,800,834**	5,212,674
Investment contracts payable	**1,457,067**	918,340
Others	**1,664,542**	1,779,585
Total	**15,406,564**	15,170,644

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

The amount of defined benefit retirement plan obligation and its changes recognised in the financial statements are as follows:

	2019	2018
Opening balance	**202,542**	136,433
Acquisition of subsidiaries	**–**	53,350
Cost of defined benefit retirement plans included in current profit or loss		
– Interest cost	**8,851**	5,666
Exchanges differences	**530**	–
Remeasurement effects recognised in other comprehensive income		
– Actuarial (losses)/gains	**(42,119)**	12,153
Benefits paid by the plans	**(5,503)**	(5,060)
Closing balance	**164,301**	202,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

48 OTHER LIABILITIES (continued)

(1) Defined benefit pension plan obligation (continued)

China defined benefit retirement plan

The Group offers the following two defined benefit retirement plans as post- employment benefit to its retired and early retired staff:

(i) pension benefits for retired staff and pension benefits for early retired staff after they actually retire; and

(ii) medical allowances.

Significant actuarial assumptions utilised by the Group when estimating the present value of the obligation of China defined benefit retirement plan are as follows (presented in weighted average):

	2019	2018
Discount rate	**3.50%**	3.50%
Mortality rate	**Note (i)**	Note (i)
Expected average life	**88**	88
Annual growth rate of pension benefits	**4%**	4%
Annual growth rate of medical allowances	**7%**	7%

(i) The mortality rate used in 2019 is determined based on the China Life Insurance Mortality Table-CL5/CL6 (2010 – 2013) issued by the former CIRC in 2016 (2018: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

48 OTHER LIABILITIES (continued)

(1) Defined benefit pension plan obligation (continued)

Chaucer defined benefit pension retirement plan

Chaucer provided defined benefit pension retirement benefits to certain of its employees. The defined benefit pension retirement benefits provides employees with a fixed benefit based on the employee's length of service and the final retirement salary. The trustee holds and controls the funds of the defined benefit pension retirement benefits. As of 31 December 2001, the defined benefit pension plan was closed to new members and starting from 31 December 2016, the plan stopped accruing for future salary increases.

Weighted-average assumptions used to determine Chaucer defined benefit pension retirement obligations are as follows:

	2019	2018
Discount rate	**2.00%**	2.70%
Rate of salary increases (ii)	**N/A**	N/A
Rate of 5% Retail Price Index ("RPI") pension increases	**2.95%**	3.10%
Rate of 2.5% RPI pension increases	**1.95%**	2.00%
Rate of 5% Consumer Price Index ("CPI") pension increases	**2.35%**	2.40%
RPI Inflation	**3.10%**	3.40%
CPI Inflation	**2.20%**	2.40%

(ii) Following the closure of Chaucer defined benefit pension retirement on 31 December 2016, a salary increase is no longer required.

The amounts of Chaucer defined benefit pension retirement obligations recognised in the balance sheet are as follows:

	2019	2018
Present value of defined benefit obligations	**1,036,118**	922,826
Fair value of scheme assets	**(1,035,600)**	(869,476)
Scheme deficit	**518**	53,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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49 SHARE CAPITAL

	31 December 2019	31 December 2018
Issued and fully paid ordinary shares of RMB1 each		
– Domestic shares	**35,800,391**	35,800,391
– H shares	**6,679,417**	6,679,417
Total	**42,479,808**	42,479,808

The Company completed its initial public offering of overseas-listed foreign shares and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015. In this offering, the Company issued 6,072 million H shares in total (including over-allotment of 302 million H shares) with a nominal value of RMB1.00 per share each and an issuance price of HKD2.70 per share. This public offering had raised a total amount of RMB13,443 million. As at 31 December 2019, a total of RMB7,002 million was recorded in share premiums after deducting the share capital of RMB6,072 million and the stock issuance fee.

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

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

50 RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Pursuant to the approval from the Ministry of Finance, the Company recognised assets appraisal surplus from restructuring as capital reserve.

(b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company.

(c) General risk reserve

In accordance with the relevant regulations, the general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance business. The Group's respective entities (China Re P&C, China Re Life, China Continent Insurance) would need to make appropriations to such reserve based on their respective profit or year-end risk assets as determined based on applicable financial regulations in the PRC, in their annual financial statements. This reserve is not available for profit distribution or transfer to capital.

(d) Agriculture catastrophic loss reserve

According to the relevant regulations of the PRC, which became effective from 1 January 2014, China Re P&C and China Continent Insurance are required to make appropriations to a reserve when the agricultural insurance records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases writing agricultural insurance business.

(e) Retained profits

As at 31 December 2019, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB3,076 million to surplus reserve made by subsidiaries (31 December 2018: RMB2,641 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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51 INTERESTS HELD IN UNCONSOLIDATED STRUCTURED ENTITIES

(a) Interests held in structured entities managed by third-party institutions

The Group invests in some structured entities managed by third-party institutions. Such structured entities mainly include investment funds, assets backed securities, structured notes, equity investment plan, debt investment plan, and trust schemes. The Group does not consolidate these structured entities. The nature and purpose of these structured entities is to provide finance to public and private section infrastructure projects and structured transactions for institutions, etc. These structured entities are financed through the contracts. Third-party institutions raise funds via issuing investment products to investors.

As at 31 December, the carrying value of interests held by the Group in structured entities managed by third-party institutions through direct investments of the Group is set out below:

	31 December 2019		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	11,625,121	–	4,901,983
Structured notes	–	–	3,862,958
Debt investment plan	–	10,208,000	–
Trust schemes	2,600	11,266,591	–
Equity investment plans	1,349,581	–	–
Assets backed securities	164,407	2,871,517	–
Products from insurance asset managers	52,385	–	–
Other fixed maturity investment	815,955	–	–
Total	14,010,049	24,346,108	8,764,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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51 INTERESTS HELD IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

(a) Interests held in structured entities managed by third-party institutions (continued)

	31 December 2018		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	7,554,038	–	6,072,096
Structured notes	–	–	3,174,933
Debt investment plans	–	12,064,167	–
Trust schemes	9,039	5,448,864	–
Equity investment plans	1,142,238	–	–
Assets backed securities	197,847	1,867,847	–
Products from insurance asset managers	91,960	–	–
Other fixed maturity investment	814,016	–	–
Total	9,809,138	19,380,878	9,247,029

Note: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicity available.

The maximum loss exposures of the interests held in structured entities managed by third-party institutions are their carrying amounts at the end of the reporting period.

(b) Interests held in the unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group mainly include the asset management products and third-party entrusted asset management business products sponsored by the Group. The nature and purpose of these structured entities is to generate asset management fees by providing management services for investors. The structured entities raise funds via issuing investment products to investors. As at 31 December 2019, the balances of asset management products managed by the Group but unconsolidated in the financial statements amounted to RMB0.796 billion (31 December 2018: RMB1.357 billion), among which RMB0.001 billion was held by the Group (31 December 2018: RMB0.001 billion). The balance of debt investment plan managed by the Group but unconsolidated in the financial statements amounted to RMB2 billion (31 December 2018: Nil), among which RMB0.85 billion was held by the Group (31 December 2018:Nil). The asset management fee income from the unconsolidated structured entities managed by the Group is RMB2.9 million (31 December 2018: RMB3.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019	2018
Profit before tax	**8,067,673**	5,084,802
Adjustments for:		
Investment income	**(11,316,405)**	(7,496,534)
Exchange losses, net	**2,150**	44,101
Finance costs	**1,539,536**	1,127,782
Share of profits of associates	**(2,140,117)**	(1,701,410)
Impairment provisions charges	**140,076**	80,058
Depreciation of property and equipment	**312,248**	256,163
Depreciation of right-of-use assets	**399,350**	–
Depreciation of investment property	**164,200**	3,656
Amortisation of intangible assets	**162,761**	73,516
(Gains)/losses on disposal of property and equipment and intangible assets, net	**(49,954)**	2,279
Increase in insurance contract liabilities	**21,984,308**	39,662,185
Increase in investment contract liabilities and policyholders' deposits	**7,151,012**	3,105,901
Increase in reinsurer's share of insurance contract liabilities	**(3,052,633)**	(2,047,004)
Increase in premiums receivable	**(3,700,287)**	(3,886,026)
Increase in reinsurance debtors	**(6,291,299)**	(23,805,481)
Increase in investment contracts receivable	**(601,386)**	(1,980,327)
Increase/(decrease) in reinsurance payables	**5,017,619**	(1,352,140)
Increase in other assets	**(1,063,053)**	(885,148)
Increase in other liabilities	**1,125,543**	430,659
Cash generated from operations	**17,851,342**	6,717,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

52 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	2019	2018
Cash and short-term time deposits	**20,262,473**	13,230,928
Add: Financial assets held under resale agreements with original maturity of no more than three months	**2,981,215**	2,596,387
Less: Restricted cash at banks	**(1,976,106)**	(1,125,455)
Cash and cash equivalents at end of the year	**21,267,582**	14,701,860

(c) Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for the current year.

	Borrowings	Notes and bonds payable	Securities sold under agreements to repurchase	Leases	Total
Balance as at 1 January 2019	(4,098,676)	(19,192,123)	(14,193,976)	(1,076,327)	(38,561,102)
Cash flows	(334,783)	–	(7,077,497)	361,748	(7,050,532)
Acquisition-leases	–	–	–	(402,912)	(402,912)
Foreign exchange adjustments	(120,020)	(169,498)	–	–	(289,518)
Other non-cash movements	–	(28,391)	(216,278)	–	(244,669)
Balance as at 31 December 2019	(4,553,479)	(19,390,012)	(21,487,751)	(1,117,491)	(46,548,733)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to IFRS 4 Amendments, the Company made the assessment based on the Group's financial position of 31 December 2015, concluding that the carrying amount of the Group's liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts was greater than 90 percent of its all liabilities. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from IFRS 9.

(a) The table below presents the fair value of the following groups of financial assets (i) under IFRS 9 as at 31 December 2019 and fair value changes for the 12 months ended 31 December 2019:

	Fair value as at 31 December 2019	**Fair value changes for the 12 months ended 2019**
Held for trading financial assets	**11,856,246**	**930,959**
Financial assets that are managed and whose performance are evaluated on a fair value basis	**–**	**–**
Other financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding ("SPPI")	**155,565,304**	**865,885**
– Financial assets with contractual terms that do not give rise on SPPI (ii)	**43,306,841**	**5,669,224**
Total	**210,728,391**	**7,466,068**

	Fair value as at 31 December 2018	Fair value changes for the 12 months ended 2018
Held for trading financial assets	10,725,714	(168,654)
Financial assets that are managed and whose performance are evaluated on a fair value basis	–	–
Other financial assets		
– Financial assets with contractual terms rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding ("SPPI")	140,904,118	4,418,720
– Financial assets with contractual terms that do not give rise on SPPI (ii)	30,564,445	(3,264,436)
Total	182,194,277	985,630

(i) Only including financial assets at fair value through profit or loss, investments classified at loans and receivables, available-for-sale financial assets and held-to-maturity financial assets.

(ii) It mainly includes stocks, investment funds, unlisted equity investment and products from insurance asset managers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

(b) The table below presents the credit risk exposure (iii) for aforementioned financial assets with contractual terms that give rise on SPPI:

	As at 31 December 2019 Carrying amount (iv)	As at 31 December 2018 Carrying amount (iv)
Domestic		
Rating not required (v)	**18,157,643**	13,326,639
AAA	**91,684,519**	70,807,019
AA	**23,916,647**	27,213,639
A	**745,074**	6,459,457
BBB	**2,265,000**	4,918,427
BB or below	**–**	28,047
Non-rating	**115,979**	2,861,012
Subtotal	**136,884,862**	125,614,240
Overseas		
Rating not required (v)	**–**	37,059
AAA	**5,196,517**	4,767,649
AA	**2,215,344**	2,260,136
A	**3,121,428**	2,846,326
BBB	**4,894,723**	2,545,465
BB or below	**260,567**	373,779
Subtotal	**15,688,579**	12,830,414
Total	**152,573,441**	138,444,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

53 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

(c) The table below presents the financial assets that are not considered to have low credit risk on the reporting date:

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount (iv)	**Fair value**	Carrying amount (iv)	Fair value
Domestic	**806,390**	**679,997**	336,177	336,177
Overseas	**260,567**	**379,933**	373,779	373,779
Total	**1,066,957**	**1,059,930**	709,956	709,956

(iii) Credit risk ratings for domestic assets are provided by domestic qualified external rating agencies; if no domestic qualified external rating agency could provide credit risk ratings, the Company's internal rating is used; if there is no internal rating, it is classified as non-rating. Credit risk ratings for overseas assets are provided by overseas qualified external rating agencies.

(iv) For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

(v) It mainly includes governments bonds and policy financial bonds.

54 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In June 2018, China Continent Insurance issued shares directly to strategic investors, raising RMB10,673 million in total. The Company's shareholding percentage over China Continent Insurance decreased from 93.18% to 64.30% after the new issuance, while the Company still controls China Continent Insurance.

According to IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. For the new issuance of shares, the Group recognised an increase in non-controlling interests of RMB7,968 million and an increase in equity attributable to shareholders of the Company of RMB2,705 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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55 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

According to the risk characters, the Group's different departments and subsidiaries manage corresponding insurance risk by determining insurance products' underwriting standards and strategy, and prescribing counterparty risk limits, reinsurance arrangements and claim processing. The Group's assumed insurance liability also incorporates international business underwritten by the former PICC (Group) Company, including asbestos, pollution, health hazard and other potential long-tail risks. Due to such high level of inherent uncertainty in the above business, consisting of relevant payment instability and insurance liability's cognisant uncertainty, the Group cannot completely rule out such significant loss possibilities such as if other reinsurance companies underwrite this kind of business. The Group reduces the uncertainty posted by such business through contacting with ceding companies actively and seeking to settle the liability.

The Group's insurance business mainly comes from Mainland China. The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance and reinsurance premium income in Note 5.

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business

When measuring insurance contract reserves, the risk margin has been considered and measured at the 75% percentile approach by the Group. The risk margin for claim reserves falls between 2.5% and 15%, while the risk margin for unearned premium reserves falls between 3.0% and 15%. If the Group's calculated risk margin falls above/below the chosen interval, the Group chooses the upper/lower limit as the risk margin.

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Impact significance depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves.

Sensitivity analysis

Changes of paid loss and other factors of property and casualty, short-term life and health insurance and reinsurance business may impact changes of assumptions and further unpaid claim estimates. If all other variables remain unchanged, a 1% increase in average claim cost will result in a decrease in profit before tax by RMB894 million for the years ended 31 December 2019 (31 December 2018: RMB772 million).

Several variables' sensitivity cannot be quantified, such as legal changes, uncertainty of loss estimation and so on. In addition, time delay exists among claims occurrence, reporting and closing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

Claim development tables

According to the characteristics of property and casualty, short-term life and health insurance and reinsurance business, the claim development information is disclosed based on accident year for primary insurance and underwriting year for reinsurance respectively:

(i) Primary insurance contracts (*)

Gross

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending	70,709,442	15,698,652	15,514,119	18,384,153	20,563,460	**23,133,382**	
1 year later	70,041,499	15,237,312	15,327,246	18,033,391	20,566,215		
2 years later	69,687,111	15,198,172	15,346,159	18,090,870			
3 years later	69,566,914	15,049,066	15,347,635				
4 years later	69,542,013	15,054,633					
5 years later	69,545,638						
Estimated cumulated claims	69,545,638	15,054,633	15,347,635	18,090,870	20,566,215	**23,133,382**	161,738,373
Less: Cumulated claims paid	69,411,047	14,953,637	15,196,239	17,595,476	18,817,301	**14,928,630**	150,902,330
Add: Adjustments in prior periods and unallocated loss adjustment expense ("ULAE"), discount and risk margin							841,417
Estimated unpaid claims							11,677,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

(i) Primary insurance contracts (*) (continued)

Net

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending	58,007,622	12,712,994	14,283,765	16,901,713	18,902,406	**21,097,358**	
1 year later	57,447,468	12,596,186	14,141,045	16,646,409	18,879,217		
2 years later	57,235,772	12,574,274	14,172,108	16,683,072			
3 years later	57,196,295	12,439,047	14,172,107				
4 years later	57,197,522	12,437,714					
5 years later	57,188,145						
Estimated cumulated claims	57,188,145	12,437,714	14,172,107	16,683,072	18,879,217	**21,097,358**	140,457,613
Less: Cumulated claims paid	57,132,434	12,355,701	14,074,344	16,285,948	17,393,095	**13,952,666**	131,194,188
Add: Adjustments in prior periods and ULAE, discount and risk margin							754,866
Estimated unpaid claims							10,018,291
Less: Estimated unpaid claims assumed by China Re Group							(403,804)
Gross estimated unpaid claims							10,422,095

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

(ii) Reinsurance contracts

Gross

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending	230,696,856	26,767,993	20,918,990	22,248,638	27,710,670	**33,626,600**	
1 year later	228,306,454	26,242,154	21,945,487	24,700,481	31,534,418		
2 years later	228,755,462	24,913,394	21,232,446	23,940,972			
3 years later	226,450,481	23,421,466	20,591,752				
4 years later	226,890,061	25,772,985					
5 years later	226,748,621						
Estimated cumulated claims	226,748,621	25,772,985	20,591,752	23,940,972	31,534,418	**33,626,600**	362,215,348
Less: Cumulated claims paid	224,664,943	24,891,770	18,781,528	18,626,344	19,213,857	**5,373,289**	311,551,731
Unearned claims	2,520	3,334	5,823	41,288	245,717	**13,885,159**	14,183,841
Add: Risk margin, discount and ULAE	141,863	47,810	97,352	235,962	578,700	**821,415**	1,923,102
Estimated unpaid claims	2,223,021	925,691	1,901,753	5,509,302	12,653,544	**15,189,567**	38,402,878
Less: Estimated unpaid claims assumed by China Continent Insurance							1,114,443
Gross estimated unpaid claims							37,288,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

(ii) Reinsurance contracts (continued)

Net

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending	225,751,801	24,096,741	19,354,209	20,443,555	24,658,105	**29,946,658**	
1 year later	223,992,505	24,649,264	20,237,148	22,437,135	28,406,389		
2 years later	224,604,912	23,433,212	19,569,994	21,735,693			
3 years later	222,286,768	22,303,195	18,940,535				
4 years later	222,760,315	22,153,723					
5 years later	222,606,062						
Estimated cumulated claims	222,606,062	22,153,723	18,940,535	21,735,693	28,406,389	**29,946,658**	343,789,060
Less: Cumulated claims paid	219,932,403	20,787,297	17,291,892	16,930,935	17,467,022	**4,854,492**	297,264,041
Unearned claims	2,369	2,742	5,713	39,302	253,010	**13,287,462**	13,590,598
Add: Risk margin, discount and ULAE	(481,319)	(543,860)	40,934	176,339	523,723	**762,087**	477,904
Estimated unpaid claims	2,189,971	819,824	1,683,864	4,941,795	11,210,080	**12,566,791**	33,412,325
Less: Estimated unpaid claims assumed by China Continent Insurance							1,079,883
Gross estimated unpaid claims							32,332,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

(iii) CRIH Business

Gross

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending					3,714,720	**3,299,411**	
1 year later				6,512,331	6,183,734		
2 years later			4,983,939	7,186,791			
3 years later		4,523,213	4,940,476				
4 years later	11,067,918	4,250,555					
5 years later	10,134,199						
Estimated cumulated claims	10,134,199	4,250,555	4,940,476	7,186,791	6,183,734	**3,299,411**	35,995,166
Less: Cumulated claims paid	6,744,858	2,929,705	2,753,054	3,723,821	2,132,077	**227,029**	18,510,544
Add: Risk margin, discount and ULAE							898,166
Estimated unpaid claims							18,382,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business (continued)

(iii) CRIH Business (continued)

Net

	2014	2015	2016	2017	2018	**2019**	Total
Cumulated loss estimate							
Year ending					1,830,464	**1,805,935**	
1 year later				3,103,331	3,271,173		
2 years later			3,683,523	3,577,165			
3 years later		3,415,178	3,721,497				
4 years later	8,010,372	3,287,460					
5 years later	7,432,828						
Estimated cumulated claims	7,432,828	3,287,460	3,721,497	3,577,165	3,271,173	**1,805,935**	23,096,058
Less: Cumulated claims paid	5,264,883	2,244,441	2,155,731	1,934,678	1,305,245	**173,285**	13,078,263
Add: Risk margin, discount and ULAE							582,414
Estimated unpaid claims							10,600,209

Note: The Company completed its acquisition of CRIH, a specialist underwriting group that operates through Lloyd's on 28 December 2018. The Company completed the acquisition of its subsidiary CIC on 14 February 2019. These amounts reflected statistics of CRIH and its subsidiary since the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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55 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

(b) Assumptions and sensitivity analysis for life and health insurance contracts

Major assumptions
Life and health insurance contract reserve is determined by the Group's reasonable estimate of future payments, premiums and related expenses, as well as considering risk margin. Mortality rates, morbidity rates, lapse rates, discount rates and expense assumptions adopted in reasonable estimation are determined by latest experience study, current and future expectations. Uncertainty of liabilities arisen from the uncertainty of future cash flows including future claim payments, premium and related expenses, etc. are reflected through risk margin.

Residual margin related to life and health insurance contract reserve is amortised during the expected benefit period using assumptions as at policy inception.

Sensitivity analysis
Significant assumptions involved in reserve calculation include mortality rates, morbidity rates, lapse rates, and discount rate, etc.

	Changes in assumptions	Impact on profit before tax	
		2019	2018
Mortality/morbidity	+10%	**(222,073)**	(222,564)
Mortality/morbidity	-10%	**239,249**	236,575
Lapse rate	+10%	**33,720**	36,209
Lapse rate	-10%	**14,940**	6,810
Discount rate	+50bp	**1,332,798**	1,291,050
Discount rate	-50bp	**(1,436,536)**	(1,402,435)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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55 RISK MANAGEMENT (continued)

(2) Financial risk

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios. The Group is exposed to credit risks primarily associated with commercial banks, investment in bonds, premiums receivable and reinsurance arrangements. Majority of the Group's financial assets are debt investments which include government bonds, financial bonds, corporate bonds, subordinated bonds, debt investment plan, trust schemes and wealth management products with high credit ratings and time deposits in state-owned commercial banks, etc. As at 31 December 2019, 100% (31 December 2018: 100%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2019, 93% (31 December 2018: 80%) of the corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The credit rating of domestic and foreign debt investment is provided by qualified external rating agencies at home and abroad; if there is no qualified external rating agency providing credit rating, the Group's internal rating is used. There is no public market rating for the government bonds and policy financial bonds with high credit quality, and the Group did not require rating for these assets. As at 31 December 2019, 67% (31 December 2018: 75%) of the debt investment plan were guaranteed by third parties or collateralized, 92% (31 December 2018: 100%) of the trust schemes were guaranteed by third parties and 100% (31 December 2018: 100%) of the asset backed securities are guaranteed by third parties. As at 31 December 2019, there were objective evidence of impairment for the two debt investment plans held by the group. The total carrying amount and interest receivable for the two debt investment plans was RMB7,431 million. The Group performed risk assessment procedure and impairment test, and recorded provision for impairment loss.

(i) Credit risk exposure

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the consolidated statement of financial position. The maximum exposure to credit risk in respect of the financial guarantees of the Group as at 31 December 2019 is disclosed in Note 59.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(a) Credit risk (continued)

(ii) Aging analysis of financial assets

	2019					
		Financial assets not due	Financial assets due but not impaired		Financial assets due and	
	Not due	but impaired	within 1 year	after 1 year	impaired	Total
Cash and short-term time deposits	20,262,473	–	–	–	–	20,262,473
Financial assets at fair value through profit or loss fixed maturity	2,331,259	–	–	–	–	2,331,259
Financial assets held under resale agreements	2,981,215	–	–	–	–	2,981,215
Premiums receivable	13,734,202	–	1,012,819	8,942	346,371	15,102,334
Reinsurance debtors	52,427,120	–	1,020,753	639,296	1,983,874	56,071,043
Investment contracts receivable	3,433,251	–	–	–	–	3,433,251
Reinsurers' share of Policy loans	503,744	–	–	–	–	503,744
Time deposits	3,907,342	–	–	–	–	3,907,342
Available-for-sale fixed maturity investments	78,593,011	–	–	–	–	78,593,011
Held-to-maturity investments	34,593,283	–	–	–	–	34,593,283
Investments classified as loans and receivables	43,353,162	500,000	–	–	–	43,853,162
Statutory deposits	15,723,184	–	–	–	–	15,723,184
Other financial assets	9,950,554	–	3,589	320	21,439	9,975,902
Sub-total	281,793,800	500,000	2,037,161	648,558	2,351,684	287,331,203
Less: impairment provisions	–	(126,393)	–	–	(499,288)	(625,681)
Total	281,793,800	373,607	2,037,161	648,558	1,852,396	286,705,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(a) Credit risk (continued)

(ii) Aging analysis of financial assets (continued)

	2018				
		Financial assets due but not impaired		Financial assets due and	
	Not due	within 1 year	after 1 year	impaired	Total
Cash and short-term time deposits	13,230,928	–	–	–	13,230,928
Financial assets at fair value through profit or loss fixed maturity	894,638	–	–	–	894,638
Financial assets held under resale agreements	2,596,387	–	–	–	2,596,387
Premiums receivable	10,229,406	798,248	28,022	211,094	11,266,770
Reinsurance debtors	45,723,716	2,068,137	677,417	1,305,714	49,774,984
Investment contracts receivable	2,831,865	–	–	–	2,831,865
Reinsurers' share of Policy loans	454,775	–	–	–	454,775
Time deposits	4,408,928	–	–	–	4,408,928
Available-for-sale fixed maturity investments	64,611,136	–	–	–	64,611,136
Held-to-maturity investments	35,897,556	–	–	–	35,897,556
Investments classified as loans and receivables	41,065,284	–	–	–	41,065,284
Statutory deposits	16,073,184	–	–	–	16,073,184
Other financial assets	8,521,118	2,423	3	21,681	8,545,225
Sub-total	246,538,921	2,868,808	705,442	1,538,489	251,651,660
Less: impairment provisions	–	–	–	(359,493)	(359,493)
Total	246,538,921	2,868,808	705,442	1,178,996	251,292,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (interest rate risk), foreign exchange rates (currency risk), and market prices (price risk).

The Group adopts various measures managing market risk, including sensitive analysis, Value-at-Risk ("VaR"), stress testing, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; setting acceptable risk tolerance level according to development goals; and tracking the risk control results dynamically to maintain market risk exposure within acceptable level.

(i) Interest rate risk

The Group's interest rate risk arises primarily from fixed maturity financial instruments mainly including cash and short-term time deposits, financial assets at fair value through profit or loss and available-for-sale financial assets. Generally financial instruments at fixed rates and at floating rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively.

Fair value interest rate risk

The sensitivity analysis below indicates the instantaneous change in the Group's profit before tax and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

	Interest	Impact on equity	
	rate change	**2019**	2018
Financial assets at fair value through profit or loss	+50bp	**(29,521)**	(2,047)
Financial assets at fair value through profit or loss	-50bp	**30,352**	2,108
Available-for-sale financial assets	+50bp	**(964,292)**	(723,729)
Available-for-sale financial assets	-50bp	**973,178**	730,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

	Interest rate change	Impact on profit before tax 2019	2018
Financial assets at fair value through profit or loss	+50bp	**(29,521)**	(2,047)
Financial assets at fair value through profit or loss	-50bp	**30,352**	2,108
Available-for-sale financial assets	+50bp	**–**	–
Available-for-sale financial assets	-50bp	**–**	–

Cash flow interest rate risk

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit before tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for each reporting date.

	Interest rate change	Impact on profit before tax/equity 2019	2018
Floating interest rate debt securities	+50bp	**4,964**	1,899
Floating interest rate debt securities	-50bp	**(4,964)**	(1,899)
Floating interest rate debt investment plan	+50bp	**3,000**	4,213
Floating interest rate debt investment plan	-50bp	**(3,000)**	(4,213)
Floating interest rate deposits	+50bp	**32,586**	28,952
Floating interest rate deposits	-50bp	**(32,586)**	(28,952)

(ii) Currency risk

Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and other currency to RMB exchange rates.

The following table summarises the Group's financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities etc. by major currency at the end of the reporting period, expressed in the RMB equivalent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

	2019						
	RMB	USD	HKD	GBP	EUR	Others	Total
Cash and short-term time deposits	8,354,715	7,821,712	2,643,405	371,542	433,661	637,438	20,262,473
Financial assets at fair value through profit or loss	5,157,324	5,976,552	649,088	–	–	73,282	11,856,246
Derivative financial instruments	–	411,129	–	–	–	–	411,129
Financial assets held under resale agreements	2,981,215	–	–	–	–	–	2,981,215
Premiums receivable	12,436,689	1,560,094	5,294	223,629	263,247	267,010	14,755,963
Reinsurance debtors	48,501,548	5,533,775	298,782	163,093	426,733	1,015,634	55,939,565
Investment contracts receivable	3,433,251	–	–	–	–	–	3,433,251
Reinsurers' share of insurance contract liabilities	8,667,425	6,605,014	416	550,618	398,149	1,951,981	18,173,603
Reinsurers' share of policy loans	503,744	–	–	–	–	–	503,744
Time deposits	3,030,200	794,711	–	82,431	–	–	3,907,342
Available-for-sale financial assets	89,734,473	15,016,210	4,541,941	894,287	5,464,134	1,751,340	117,402,385
Held-to-maturity investments	34,593,283	–	–	–	–	–	34,593,283
Investments classified as loans and receivables	42,065,645	1,661,124	–	–	–	–	43,726,769
Statutory deposits	15,723,184	–	–	–	–	–	15,723,184
Other financial assets	7,806,669	811,080	55,352	244,838	87,705	948,819	9,954,463
Total	282,989,365	46,191,401	8,194,278	2,530,438	7,073,629	6,645,504	353,624,615
Short-term borrowings	44,979	–	–	687,370	–	–	732,349
Securities sold under agreements to repurchase	21,487,751	–	–	–	–	–	21,487,751
Reinsurance payables	14,270,585	2,134,082	45,034	204,997	358,467	933,979	17,947,144
Income tax payable	1,318,372	–	35,282	328	–	–	1,353,982
Policyholders' deposits	1,988,127	433,994	417,853	–	–	–	2,839,974
Investment contract liabilities	20,431,308	223,319	1,412,186	–	–	–	22,066,813
Insurance contract liabilities	147,656,811	26,668,097	6,860,153	2,892,193	1,482,752	6,077,062	191,637,068
Notes and bonds payable	8,995,671	10,394,341	–	–	–	–	19,390,012
Long-term borrowings	–	3,821,130	–	–	–	–	3,821,130
Lease liabilities	1,039,468	–	9,716	66,452	–	1,855	1,117,491
Other financial liabilities	11,532,164	505,818	183,190	461,234	292,452	211,511	13,186,369
Total	228,765,236	44,180,781	8,963,414	4,312,574	2,133,671	7,224,407	295,580,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

	2018						
	RMB	USD	HKD	GBP	EUR	Others	Total
Cash and short-term time deposits	4,083,962	4,737,291	2,995,521	297,497	600,884	515,773	13,230,928
Financial assets at fair value through profit or loss	5,171,745	4,849,751	704,218	–	–	–	10,725,714
Derivative financial instruments	–	175,403	–	–	–	–	175,403
Financial assets held under resale agreements	2,596,387	–	–	–	–	–	2,596,387
Premiums receivable	7,868,899	2,587,939	1,666	140,724	298,605	157,843	11,055,676
Reinsurance debtors	44,242,440	3,959,126	192,254	55,045	384,671	814,730	49,648,266
Investment contracts receivable	2,831,865	–	–	–	–	–	2,831,865
Reinsurers' share of insurance contract liabilities	6,493,688	6,167,533	–	502,749	491,100	1,235,886	14,890,956
Reinsurers' share of policy loans	454,775	–	–	–	–	–	454,775
Time deposits	10,199	2,948,715	1,371,853	78,161	–	–	4,408,928
Available-for-sale financial assets	67,464,209	11,939,569	5,087,272	898,716	5,312,791	1,277,089	91,979,646
Held-to-maturity investments	35,897,556	–	–	–	–	–	35,897,556
Investments classified as loans and receivables	39,331,670	1,733,614	–	–	–	–	41,065,284
Statutory deposits	16,073,184	–	–	–	–	–	16,073,184
Other financial assets	6,155,898	1,275,255	101,241	50,266	170,028	770,856	8,523,544
Total	238,676,477	40,374,196	10,454,025	2,023,158	7,258,079	4,772,177	303,558,112
Short-term borrowings	–	–	–	521,569	–	–	521,569
Securities sold under agreements to repurchase	14,193,976	–	–	–	–	–	14,193,976
Reinsurance payables	9,469,920	2,360,219	46,038	132,216	330,427	590,705	12,929,525
Income tax payable	369,704	–	11,386	62,763	782	337	444,972
Policyholders' deposits	631,376	301,537	1,013,653	–	–	–	1,946,566
Investment contract liabilities	14,101,347	207,863	1,499,999	–	–	–	15,809,209
Insurance contract liabilities	129,365,392	24,609,866	5,770,361	2,291,490	1,501,406	5,192,875	168,731,390
Notes and bonds payable	8,996,100	10,196,023	–	–	–	–	19,192,123
Long-term borrowings	–	3,577,107	–	–	–	–	3,577,107
Other financial liabilities	11,196,107	464,794	155,941	729,942	264,066	98,866	12,909,716
Total	188,323,922	41,717,409	8,497,378	3,737,980	2,096,681	5,882,783	250,256,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity of monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Changes in	Impact on profit before tax		Impact on equity	
Currency	exchange rate	**2019**	2018	**2019**	2018
USD	+5%	**134,270**	(22,524)	**134,270**	(22,524)
USD	-5%	**(134,270)**	22,524	**(134,270)**	22,524
HKD	+5%	**(265,554)**	(156,531)	**(265,554)**	(156,531)
HKD	-5%	**265,554**	156,531	**265,554**	156,531
GBP	+5%	**(133,821)**	(130,677)	**(133,821)**	(130,677)
GBP	-5%	**133,821**	130,677	**133,821**	130,677
EUR	+5%	**(26,209)**	(7,569)	**(26,209)**	(7,569)
EUR	-5%	**26,209**	7,569	**26,209**	7,569

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group uses VaR to measure the expected loss in respect of equity price risk for stock and fund investments measured at fair value. The Group monitors the daily value fluctuation risk over a portent period of 1 day for going concern basis. Moreover, VaR is measured over a holding period of 250 trading days at a confidence level of 95% assumed under normal market condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(iii) Price risk (continued)

Under normal market conditions, the impact on net equity of 1-day potential loss of equity investments such as equity shares and investment funds is estimated using the VaR technique as follows (presented in negative value):

	2019	2018
Financial assets at fair value through profit or loss		
Equity shares	**(15,820)**	(9,174)
Investment funds	**(3,960)**	(2,686)
Sub-total	**(19,780)**	(11,860)
Available-for-sale financial assets		
Equity shares	**(316,412)**	(261,774)
Investment funds	**(51,270)**	(73,349)
Sub-total	**(367,682)**	(335,123)
Total	**(387,462)**	(346,983)

(c) Liquidity risk

Liquidity risk is the risk that the Group fails to obtain sufficient capital to pay off its matured liabilities. During normal operating activities, the Group reduces liquidity risk through matching the maturity date of investment assets with that of financial liabilities and insurance liabilities.

The Group's relevant departments and the asset management company are responsible for managing and monitoring daily liquidity risks, including analysis of liquidity ratio, establishment of short-term and long-term investment strategy and setting up of a liquidity warning system to ensure liquidity safety.

The tables below summarise the remaining contractual maturity profile of the financial assets and financial liabilities, the expected timing of insurance contract liabilities and reinsurers' share of insurance contract liabilities of the Group based on undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2019					
	Within 1 year or undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	20,290,565	–	–	–	20,290,565	20,262,473
Debt securities carried at fair value through profit or loss	457,275	335,512	420,062	1,177,393	2,390,242	2,331,259
Equity securities carried at fair value through profit or loss	9,524,987	–	–	–	9,524,987	9,524,987
Derivative financial instruments	411,129	–	–	–	411,129	411,129
Financial assets held under resale agreements	2,981,800	–	–	–	2,981,800	2,981,215
Premiums receivable	8,336,681	4,367,523	2,043,663	8,096	14,755,963	14,755,963
Reinsurance debtors	54,532,891	1,211,783	136,939	57,952	55,939,565	55,939,565
Investment contracts receivable	3,433,251	–	–	–	3,433,251	3,433,251
Reinsurers' share of insurance contract liabilities	9,490,474	(3,967,683)	5,335,474	15,641,696	26,499,961	18,173,603
Reinsurers' share of policy loans	503,744	–	–	–	503,744	503,744
Time deposits	3,671,756	–	332,452	–	4,004,208	3,907,342
Available-for-sale fixed maturity investments	9,157,551	14,404,987	39,560,110	29,226,433	92,349,081	78,593,011
Available-for-sale equity securities	38,809,374	–	–	–	38,809,374	38,809,374
Held-to-maturity investments	3,930,024	5,829,403	14,474,767	20,820,797	45,054,991	34,593,283
Investments classified as loans and receivables	7,872,048	7,463,958	23,743,254	19,858,717	58,937,977	43,726,769
Statutory deposits	8,825,660	559,020	7,651,527	–	17,036,207	15,723,184
Other financial assets	3,196,092	(26,747,485)	(31,462,000)	855,807,161	800,793,768	9,954,463
Total	185,425,302	3,457,018	62,236,248	942,598,245	1,193,716,813	353,624,615
Liabilities:						
Short-term borrowings	732,349	–	–	–	732,349	732,349
Securities sold under agreements to repurchase	21,490,168	–	–	–	21,490,168	21,487,751
Reinsurance payables	16,555,668	609,290	595,537	186,649	17,947,144	17,947,144
Income tax payable	1,353,982	–	–	–	1,353,982	1,353,982
Policyholders' deposits	2,839,407	567	–	–	2,839,974	2,839,974
Investment contract liabilities	(9,195,683)	(8,818,421)	(26,531,984)	878,786,387	834,240,299	22,066,813
Insurance contract liabilities	71,135,579	23,442,233	75,628,842	49,875,138	220,081,792	191,637,068
Notes and bonds payable	586,041	791,970	20,695,070	–	22,073,081	19,390,012
Long-term borrowings	183,841	182,338	4,203,090	–	4,569,269	3,821,130
Lease liabilities	417,305	290,272	364,647	72,062	1,144,286	1,117,491
Other financial liabilities	8,833,535	805,422	1,492,987	4,684,049	15,815,993	13,186,369
Total	114,932,192	17,303,671	76,448,189	933,604,285	1,142,288,337	295,580,083

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2018					
	Within 1 year or undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	13,258,365	–	–	–	13,258,365	13,230,928
Debt securities carried at fair value through profit or loss	428,793	238,078	198,670	39,250	904,791	894,638
Equity securities carried 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
Investment contracts receivable	2,831,865	–	–	–	2,831,865	2,831,865
Reinsurers' share of insurance contract liabilities	7,229,520	4,016,925	2,834,226	821,133	14,901,804	14,890,956
Reinsurers' share of policy loans	454,775	–	–	–	454,775	454,775
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 loans and receivables	5,583,046	6,858,662	19,282,058	26,644,800	58,368,566	41,065,284
Statutory deposits	5,073,902	8,452,506	3,956,794	–	17,483,202	16,073,184
Other financial assets	6,536,977	304,183	(669,484)	54,798,881	60,970,557	8,523,544
Total	149,496,420	37,633,117	87,307,530	121,554,855	395,991,922	303,558,112
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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55 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

The amounts set forth in the tables above for financial assets, borrowings, notes and bonds payable, securities sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures.

56 FAIR VALUE MEASUREMENT

(1) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
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56 FAIR VALUE MEASUREMENT (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	2,331,259	2,331,259	–	–
– Equity securities	9,524,987	4,002,234	4,738,260	784,493
Available-for-sale financial assets				
– Fixed maturity investment	78,593,011	1,720,458	76,040,380	832,173
– Equity securities	38,809,374	25,828,786	1,183,890	11,796,698
Derivative financial instruments	411,129	–	–	411,129
Total	129,669,760	33,882,737	81,962,530	13,824,493

	Fair value 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE MEASUREMENT (continued)

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

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

	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Derivative financial instruments**
1 January 2019	**919,735**	**12,382,015**	**175,403**
Additions	**29,899**	**489,002**	**–**
Disposals	**–**	**(543,954)**	**–**
Transfers into Level 3	**–**	**–**	**–**
Transfer out from Level 3	**–**	**(433,850)**	**–**
Gains/(losses) through profit or loss	**(165,141)**	**159,522**	**235,726**
Gains/(losses) through other comprehensive income	**–**	**576,136**	**–**
31 December 2019	**784,493**	**12,628,871**	**411,129**

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial instruments
1 January 2018	793,410	11,464,540	–
Additions	24,669	791,603	–
Disposals	(14,448)	(439,226)	–
Transfers into Level 3	–	–	(47,608)
Transfer out from Level 3	–	–	–
Gains/(losses) through profit or loss	116,104	30,525	223,011
Gains/(losses) through other comprehensive income	–	534,573	–
31 December 2018	919,735	12,382,015	175,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE MEASUREMENT (continued)

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

Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December 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.

As at 31 December 2019, the Group did not transfer securities between Level 1 and Level 2 (31 December 2018: Nil).

As at 31 December 2019, the Group did not transfer securities from Level 2 to Level 3 (31 December 2018: RMB48 million) and transferred certain securities of RMB434 million (31 December 2018: Nil) from Level 3 to Level 2. Part of the equity instruments transfer from level 3 into level 2 in the year of 2019 because of the change of the valuation inputs, which have been listed but limited for sale.

Valuation techniques and inputs used in Level 3 fair value measurements

The valuation techniques include discounted cash flow method, net assets value and comparison method of listed companies, etc. The fair value of these financial instruments may have been based on unobservable inputs which have significant impact on the valuation of these financial instruments. The unobeservable inputs used by the management include major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 1.56% to 6.69%, net assets and net profit of the invested enterprises etc. These assets and liabilities use the unobservable inputs and parameters have been classified by the Group as level 3.

The unobservable inputs which may have impact on the valuation include credit premium, valuation multiples of comparable companies, etc.

Critical unobservable inputs	**Impacts on fair value measurements**
Credit premium	The higher of credit premium, the lower the fair value
Valuation multiples of comparable companies	The higher of valuation multiples, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE MEASUREMENT (continued)

(2) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	31 December 2019		31 December 2019 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Assets					
Held-to-maturity financial assets	**34,593,283**	**36,499,013**	**–**	**36,499,013**	**–**
Investment classified as loans and receivables	**43,726,769**	**44,973,556**	**–**	**–**	**44,973,556**
Liabilities					
Long-term borrowings	**3,821,130**	**3,979,370**	**–**	**–**	**3,979,370**
Notes and bonds payable	**19,390,012**	**19,735,749**	**–**	**19,735,749**	**–**

	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	–
Investment classified as loans and receivables	41,065,284	41,985,529	–	–	41,985,529
Liabilities					
Long-term borrowings	3,577,107	3,577,107	–	–	3,577,107
Notes and bonds payable	19,192,123	18,774,596	–	18,774,596	–

The fair value of the held-to-maturity investments, notes and bonds payable classified as Level 2 is determined and analysed on the basis of the observable net valuation price of China Central Depository & Clearing Co., Ltd. (CCDC), China Securities Depository and Clearing Corporation Limited (CSDC), and Bloomberg Terminal.

The fair value of long-term loans classified as level 3 should be measured as the discounted present value of the future cash flow in accordance with the interest rates on the market with comparable credit ratings and providing almost the same cash flow under the same conditions.

The fair value of investments classified as loans and receivables as level 3 is determined using recognized pricing models, including the analysis of discounted cash flows based on unobservable discount rates, which reflects the relevant credit risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

57 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to focus on the balance between risk and profit, to ensure that the Group meets the external capital requirements and maintains a sound solvency margin ratio to support its business development and maximise profit for shareholders, by pricing products and services commensurately with the level of risk and by accessing to finance at a reasonable cost.

The Group regularly reviews and manages its capital structure to achieve the most ideal capital structure and maximum returns to the shareholders. Factors taken into consideration include future capital requirement, capital efficiency, actual and expected profitability, expected cash flows and expected capital expenditure of the Group. The Group makes adjustments to the capital structure in light of changes in economic conditions.

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'. The Group adjusted the objective, policy and process of capital management. As at 31 December 2019, the solvency information of the company and its major subsidiaries is as follows:

(in RMB millions, except for percentages)

31 December 2019	**Actual capital**	**Minimum capital**	**Core solvency adequacy ratio**	**Aggregated solvency adequacy ratio**
The Group	**97,311**	**46,579**	**190%**	**209%**
The Company	**72,497**	**12,917**	**561%**	**561%**
China Re P&C	**24,083**	**11,025**	**182%**	**218%**
China Re Life	**31,250**	**14,691**	**179%**	**213%**
China Continent Insurance	**26,226**	**7,063**	**371%**	**371%**

(in RMB millions, except for percentages)

31 December 2018	Actual capital	Minimum capital	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
The Group	75,373	40,946	162%	184%
The Company	56,761	13,639	416%	416%
China Re P&C	22,607	10,429	178%	217%
China Re Life	22,018	10,278	166%	214%
China Continent Insurance	24,392	5,626	434%	434%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

58 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Ultimate parent

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

(2) Significant related parties

Name of significant related party	Relationship with the Company
China Everbright Bank	Associate

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

(a) Significant related-party transactions between the Group and CEB is as follows:

	2019	2018
Interest income	80,224	78,105
Premium income	4,601	1,997
Claims payments	891,285	432,630
Fees and commissions	299	282

During the year ended 31 December 2019, the Group received the dividends from China Everbright Bank of RMB373,501 thousand (the year ended 2018, RMB419,899 thousand).

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

	31 December 2019	31 December 2018
Cash and short-term time deposits	238,475	353,961
Time deposits	–	80,025
Statutory deposits	437,187	826,157
Interest receivables	38,359	88,643
Debt investments	999,078	999,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

58 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(4) **Key management personnel remuneration:**

	2019	2018
Salaries, allowances and benefits in kind	**5,218**	7,483
Discretionary bonuses	**4,496**	4,750
Employer's contribution to a retirement benefit scheme	**648**	838
Total	**10,362**	13,071

The total compensation package for the Company's key management personnel for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the relevant PRC authorities, and will be disclosed when determined. The compensation amounts disclosed above for the Company's key management personnel for the year ended 31 December 2018 were restated based on the finalised amounts determined during 2019.

(5) **Transactions with state-owned entities in the PRC**

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). The Group's key business is primary insurance and reinsurance related business and therefore the business transactions with other state-owned entities are primarily related to insurance, reinsurance and investment activities, including but not limited to insurance, reinsurance, provision of asset management or other services, and the sale, purchase, and redemption of bonds or equity instruments.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

As at the 31 December 2019, most of bank deposits of the Group were with state-owned banks, and the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises (31 December 2018: same). For the year ended 31 December 2019, a large portion of its reinsurance business of the Group was with state-owned insurance companies (the year ended 31 December 2018: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

59 CONTINGENCIES

As at 31 December 2019, the Group has issued the following guarantees:

(1) As at 31 December 2019, the Company provided maritime guarantee of RMB2,937 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 31 December 2019, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 100 million (31 December 2018: GBP 100 million). As at 31 December 2019, CRIH provided letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP 300 million totally (31 December 2018: GBP 275 million).

60 COMMITMENTS

Capital commitments

	31 December 2019	31 December 2018
Contracted for		
– Intangible assets commitments	**41,056**	48,494
– Investment properties commitments	**–**	1,901,199
– Property and equipment commitments	**73,582**	14,355
– Investment commitments	**514,994**	844,025
Total	**629,632**	2,808,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

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

(1) Company-level statement of financial position

	31 December 2019	31 December 2018
Assets		
Cash and short-term time deposits	**1,758,580**	1,454,301
Financial assets at fair value through profit or loss	**512,093**	63,258
Financial assets held under resale agreements	**12,000**	6,500
Reinsurance debtors	**1,228,361**	18,806,556
Reinsurers' share of unearned premium reserves	**13,783**	664
Reinsurers' share of outstanding claim reserves	**45,033**	71,332
Time deposits	**65,698**	753,949
Available-for-sale financial assets	**10,041,490**	9,914,288
Held-to-maturity investments	**640,537**	979,992
Reinsurers' share of policy loans	**40,763**	42,459
Long-term equity investments	**42,215,327**	40,029,265
Statutory deposits	**8,500,000**	8,500,000
Investment properties	**1,015,405**	1,034,949
Fixed assets	**351,245**	362,369
Right-of-use assets	**11,109**	–
Intangible assets	**26,390**	26,707
Deferred tax assets	**66,694**	33,110
Other assets	**2,082,103**	2,116,980
Total assets	**68,626,611**	84,196,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

61 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(1) Company-level statement of financial position (continued)

	31 December 2019	31 December 2018
Liabilities and equity		
Liabilities		
Securities sold under agreements to repurchase	**463,000**	405,000
Reinsurance payables	**371,851**	290,899
Employee benefits payable	**412,318**	382,196
Taxes payable	**6,226**	1,741
Policyholder's deposits and investments	**859,909**	639,528
Unearned premium reserves	**389,768**	297,667
Outstanding claim reserves	**2,865,566**	3,306,746
Life insurance reserves	**290,186**	18,134,823
Long-term health insurance reserves	**2,049,124**	1,997,922
Lease liabilities	**10,374**	–
Deferred tax liabilities	**1,220,410**	721,635
Other liabilities	**355,524**	512,400
Total liabilities	**9,294,256**	26,690,557
Equity		
Share capital	**42,479,808**	42,479,808
Capital reserves	**7,047,275**	7,047,275
Other comprehensive income	**767,045**	288,980
Surplus reserve	**2,314,361**	2,047,856
General risk reserve	**2,314,361**	2,047,856
Retained earnings	**4,409,505**	3,594,347
Total equity	**59,332,355**	57,506,122
Total liabilities and equity	**68,626,611**	84,196,679

The company-level statement of financial position was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

Yuan Linjiang
Director

He Chunlei
Director

Tian Meipan
Chief Actuary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

61 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(2) Company-level statement of changes in equity

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 31 December 2018	42,479,808	7,047,275	288,980	2,047,856	2,047,856	3,594,347	57,506,122
1.Total comprehensive income							
Net profit	–	–	–	–	–	2,665,042	2,665,042
Other comprehensive income	–	–	478,065	–	–	–	478,065
2.Appropriation of profits							
Distributions to shareholders	–	–	–	–	–	(1,316,874)	(1,316,874)
Appropriation for surplus reserve	–	–	–	266,505	–	(266,505)	–
Appropriation for general risk reserve	–	–	–	–	266,505	(266,505)	–
Balance at 31 December 2019	42,479,808	7,047,275	767,045	2,314,361	2,314,361	4,409,505	59,332,355
Balance at 31 December 2017	42,479,808	7,060,795	24,851	1,819,428	1,819,428	3,912,527	57,116,837
Impact of change in accounting policy in associates	–	–	25,645	–	–	(106,580)	(80,935)
Restated total equity as at 1 January 2018	42,479,808	7,060,795	50,496	1,819,428	1,819,428	3,805,947	57,035,902
1.Total comprehensive income							
Net profit	–	–	–	–	–	2,284,287	2,284,287
Other comprehensive income	–	–	238,484	–	–	–	238,484
2.Appropriation of profits							
Distributions to shareholders	–	–	–	–	–	(2,039,031)	(2,039,031)
Appropriation for surplus reserve	–	–	–	228,428	–	(228,428)	–
Appropriation for general risk reserve	–	–	–	–	228,428	(228,428)	–
3.Other	–	(13,520)	–	–	–	–	(13,520)
Balance at 31 December 2018	42,479,808	7,047,275	288,980	2,047,856	2,047,856	3,594,347	57,506,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

61 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

(2) Company-level statement of changes in equity (continued)

For the year ended 31 December 2019 and 31 December 2018, the statement of financial position and statement of changes in equity of the Company disclosed in this note are prepared in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"), the primary accounting standard for the Company to determine the amount of retained earnings available for distribution. In preparation of these, the Company's investment in subsidiaries which are included in long-term equity investments are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Investments in associates are accounted for using equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

62 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

(1) Dividends

On 30 March 2020, the Board of Directors of the Company proposed a final dividend of RMB0.044 per ordinary share (tax inclusive) and is subject to the approval of shareholders of the Company at the 2019 annual general meeting.

(2) The assessment of the impact of the Coronavirus outbreak

The COVID-19 pandemic has spread worldwide so far. With an initial assessment, the Group considers that the COVID-19 will have a certain impact on the business development, capital utilization and customer service of the Group in the short term. As at the reporting date, the Group has not been able to accurately assess the specific amount of the impact. The Group will continue to pay close attention to the development of the COVID-19 and take corresponding countermeasures.

63 COMPARATIVE FIGURES

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

64 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

DEFINITIONS

"Articles of Association"	the articles of association of our Company as adopted at our shareholders' meeting held on 26 June 2015, 24 October 2017, 28 June 2018 and approved by the insurance regulatory authority in the PRC on 9 July 2015, 2 March 2016 and 16 January 2019
"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
"Board of Supervisors"	the board of supervisors of our Company
"C-ROSS"	China Risk Oriented Solvency System, which is China's second generation insurance solvency regulation system
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"Central Huijin"	Central Huijin Investment Ltd.
"Chaucer"	the collective name of China Re International Holdings Limited, Chaucer Insurance Company Designated Activity Company and China Re Australia HoldCo Pty Ltd

"China Continent Insurance"	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003. The Company holds 64.3% of its shares
"China Everbright Bank"	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC
"China Re AMC"	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
"China Re AMC HK"	China Re Asset Management (Hong Kong) Company Ltd. (中再資產管理(香港)有限公司), a subsidiary of China Re AMC incorporated in Hong Kong on 22 January 2015
"China Re HK"	China Reinsurance (Hong Kong) Company Limited (中國再保險(香港)股份有限公司), a subsidiary of China Re Life licensed and incorporated by Hong Kong Insurance Authority on 16 December 2019
"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

DEFINITIONS

"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
"China Re Underwriting"	China Re Underwriting Agency Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 8 August 2014
"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, the former name of which is Hanover Australia HoldCo Pty Ltd
"CRIH"	China Re International Holdings Limited, a company registered in England and Wales, the former name of which is The Hanover Insurance International Holdings Limited
"Director(s)"	the director(s) of the Company
"former CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), the functions of which have been incorporated into the CBIRC
"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

DEFINITIONS

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huatai Insurance Agency"	Huatai Insurance Agency and Consultant Service Limited (華泰保險經紀有限公司), a subsidiary of the Company incorporated in the PRC on 1 March 1993. The Company holds 52.5% of its shares
"Latest Practicable Date"	14 April 2020 being the latest practicable date for the inclusion of certain information in this report prior to its publication
"Listing Date"	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange
"Lloyd's"	the Society of Lloyd's, a global leading specialised P&C and liability insurance market
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Model Code for Securities Transactions"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules

"NAO"	the National Audit Office of the PRC
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Insurance Law"	the Insurance Law of the PRC (《中華人民共和國保險法》), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated 13 October 2015
"Reporting Period"	since 1 January 2019 until 31 December 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	the supervisor(s) of the Company

CORPORATE INFORMATION

REGISTERED NAMES

Legal Chinese name: 中國再保險（集團）股份有限公司

Chinese abbreviation: 中再集團

Legal English name: China Reinsurance (Group) Corporation

English abbreviation: China Re

REGISTERED OFFICE AND HEADQUARTERS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1618, Sun Hung Kai Centre,
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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

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INVESTOR RELATIONS DEPARTMENT

Office of the Board of Directors
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LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

SECRETARY TO THE BOARD

Ms. Zhu Xiaoyun

AUTHORISED REPRESENTATIVES

Mr. He Chunlei
Ms. Ng Sau Mei

JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun
Ms. Ng Sau Mei

AUDITORS

Domestic auditor:
PricewaterhouseCoopers Zhong Tian LLP

Overseas auditor:
PricewaterhouseCoopers
(Certified Public Accountants and Registered PIE Auditor)

ACTUARIAL CONSULTANT[1]

Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

HONG KONG LEGAL ADVISER

Clifford Chance

UNIFIED SOCIAL CREDIT CODE

9110000010002371XD

Note: 1. Due to the expiry of the term of the original engagement letter with Ernst & Young (China) Advisory Limited, the actuarial consultant of Company has changed to Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch upon reselection and appointment.

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