中再集团

China Reinsurance (Group) Corporation
中國再保險(集團)股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1508)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors of China Reinsurance (Group) Corporation is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2018**	2017
Gross written premiums	*5*	**122,257,197**	105,336,468
Less: Premiums ceded to reinsurers and retrocessionaires	*5*	**(7,862,106)**	(4,401,329)
Net written premiums	*5*	**114,395,091**	100,935,139
Changes in unearned premium reserves	*6*	**(5,122,438)**	(2,651,837)
Net premiums earned		**109,272,653**	98,283,302
Reinsurance commission income		**1,072,508**	953,294
Investment income	*7*	**7,496,534**	9,260,154
Exchange losses, net		**(44,101)**	(155,896)
Other income		**2,126,130**	1,330,047
Total income		**119,923,724**	109,670,901

	Note	2018	2017
Total income		**119,923,724**	109,670,901
Claims and policyholders' benefits	*8*	**(81,578,125)**	(74,971,977)
— Claims incurred		**(41,848,821)**	(37,098,920)
— Life and health reinsurance death and other benefits paid		**(11,004,304)**	(28,307,952)
— Changes in long-term life and health reinsurance contract liabilities		**(28,725,000)**	(9,565,105)
Handling charges and commissions		**(19,332,172)**	(16,653,761)
Finance costs		**(1,127,782)**	(429,917)
Other operating and administrative expenses		**(14,502,253)**	(12,294,992)
Total benefits, claims and expenses		**(116,540,332)**	(104,350,647)
Share of profits of associates		**1,701,410**	1,630,814
Profit before tax	*9*	**5,084,802**	6,951,068
Income tax	*10*	**(1,185,816)**	(1,615,033)
Profit for the year		**3,898,986**	5,336,035
Attributable to:			
Equity shareholders of the parent		**3,729,891**	5,256,296
Non-controlling interests		**169,095**	79,739
Profit for the year		**3,898,986**	5,336,035
Earnings per share (in RMB)	*12*		
— Basic		**0.09**	0.12
— Diluted		**0.09**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2018**	2017
Profit for the year		**3,898,986**	5,336,035
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation		**(12,153)**	(12,919)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		**(101,069)**	(84,890)
Available-for-sale financial assets, after tax		**(95,665)**	198,924
Exchange differences on translation of financial statements of foreign operations		**(16,905)**	(7,424)
Other comprehensive income for the year after tax		**(225,792)**	93,691
Total comprehensive income for the year		**3,673,194**	5,429,726
Attributable to:			
Equity shareholders of the parent		**3,538,674**	5,349,204
Non-controlling interests		**134,520**	80,522
Total comprehensive income for the year		**3,673,194**	5,429,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**31 December 2018**	31 December 2017
Assets			
Cash and short-term time deposits		**13,230,928**	10,753,859
Financial assets at fair value through profit or loss		**10,725,714**	7,206,613
Derivative financial instruments		**175,403**	—
Financial assets held under resale agreements		**2,596,387**	2,558,402
Premiums receivable	*13*	**11,055,676**	4,367,458
Reinsurance debtors	*14*	**49,648,266**	24,459,367
Investment contracts receivable		**2,831,865**	851,538
Reinsurers' share of insurance contract liabilities		**14,890,956**	4,880,801
Time deposits		**4,408,928**	5,239,747
Available-for-sale financial assets		**91,979,646**	78,948,328
Held-to-maturity investments		**35,897,556**	25,982,685
Investments classified as loans and receivables		**41,065,284**	32,871,394
Reinsurers' share of policy loans		**454,775**	419,502
Investments in associates	*15*	**21,185,891**	14,876,449
Statutory deposits		**16,073,184**	14,561,460
Investment properties		**5,054,425**	2,748,309
Property and equipment		**2,778,951**	2,624,086
Intangible assets		**2,204,303**	404,002
Goodwill		**1,559,664**	1,188,538
Deferred tax assets		**1,542,887**	1,122,813
Other assets		**11,546,284**	6,734,774
Total assets		**340,906,973**	242,800,125

	Note	31 December 2018	31 December 2017
Liabilities and equity			
Liabilities			
Short-term borrowings		**521,569**	—
Derivative financial instruments		**—**	47,608
Securities sold under agreements to repurchase		**14,193,976**	7,710,503
Reinsurance payables		**12,929,525**	11,874,955
Income tax payable		**444,972**	483,742
Policyholders' deposits		**1,946,566**	1,669,166
Investment contract liabilities		**15,809,209**	12,946,807
Insurance contract liabilities		**168,731,390**	108,126,306
Notes and bonds payable		**19,192,123**	9,679,806
Long-term borrowings		**3,577,107**	—
Deferred tax liabilities		**1,136,075**	1,087,946
Other liabilities		**15,170,644**	13,802,787
Total liabilities		**253,653,156**	167,429,626
Equity			
Share capital	*16*	**42,479,808**	42,479,808
Reserves		**17,546,922**	14,254,671
Retained profits		**18,254,471**	17,632,428
Total equity attributable to equity shareholders of the parent		**78,281,201**	74,366,907
Non-controlling interests		**8,972,616**	1,003,592
Total equity		**87,253,817**	75,370,499
Total liabilities and equity		**340,906,973**	242,800,125

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(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		–	–	–	–	–	–	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		–	–	–	–	–	(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		–	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

(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 1 January 2017		42,479,808	8,166,044	1,440,315	3,470,711	9,968	(2,773)	159,331	(2,373)	15,460,852	71,181,883	957,970	72,139,853
Profit for the year		—	—	—	—	—	—	—	—	5,256,296	5,256,296	79,739	5,336,035
Other comprehensive income		—	—	—	—	—	(12,919)	113,251	(7,424)	—	92,908	783	93,691
Total comprehensive income		—	—	—	—	—	(12,919)	113,251	(7,424)	5,256,296	5,349,204	80,522	5,429,726
Appropriations to surplus reserve		—	—	352,780	—	—	—	—	—	(352,780)	—	—	—
Appropriations to general risk reserve		—	—	—	692,909	—	—	—	—	(692,909)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)	(34,919)	(2,073,950)
Capital injection from minority shareholders		—	—	—	—	—	—	—	—	—	—	19	19
Others		—	(125,149)	—	—	—	—	—	—	—	(125,149)	—	(125,149)
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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2018**	2017
Operating activities			
Cash generated from operations		**6,717,032**	8,121,128
Income tax paid		**(1,414,700)**	(1,264,012)
Net cash flows generated from operating activities		**5,302,332**	6,857,116
Investing activities			
Interests received		**5,892,859**	5,563,697
Dividends received		**1,396,290**	887,919
Purchases of property and equipment, investment properties and intangible assets		**(4,101,891)**	(493,645)
Proceeds from disposals of property and equipment, investment properties and intangible assets		**31,240**	1,187,910
Acquisition of subsidiary, net of cash and cash equivalent acquired		**(4,997,088)**	—
Purchases of investments		**(137,925,675)**	(140,904,703)
Proceeds from disposals of investments		**114,007,738**	111,668,853
Disposals of associates		**—**	919,323
Investments in associates		**(5,336,861)**	(1,038,798)
Net cash flows used in investing activities		**(31,033,388)**	(22,209,444)

	Note	2018	2017
Financing activities			
Changes in third party investors' interests of consolidated structured entities, net		**702,034**	480,528
Capital injection from minority shareholders		**10,702,902**	20
Payment for shares issuance costs		**—**	(75,857)
Proceeds from notes and bonds payable		**9,000,000**	10,248,099
Bank borrowings		**4,095,249**	—
Cash repaid to lenders		**(2,220)**	—
Interests paid		**(1,030,736)**	(354,618)
Dividends paid to equity shareholders of the parent		**(2,047,771)**	(2,034,452)
Dividends paid by subsidiaries to non-controlling interests		**(163,526)**	(34,919)
Net proceeds from securities sold under agreements to repurchase		**6,560,845**	3,255,916
Net cash flows generated from financing activities		**27,816,777**	11,484,717
Net increase/(decrease) in cash and cash equivalents		**2,085,721**	(3,867,611)
Cash and cash equivalents at the beginning of the year		**12,068,596**	16,670,213
Effect of foreign exchange rate changes		**547,543**	(734,006)
Cash and cash equivalents at the end of the year		**14,701,860**	12,068,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 Jingrong Avenue, Xicheng District, Beijing 100033, the PRC.

Effective 28 December 2018, the Company acquired Hanover Insurance International Holdings Limited ("**HIIH**"), a specialist underwriting group which operates in the Society of Lloyd's ("**Lloyd's**") (See Note 4). The consolidated financial statements include HIIH's financial information after the date of acquisition.

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 2018 and any new accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018.

(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 and liabilities at fair value through profit or loss and derivative instrument.

— reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods.

(3) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

IFRS 15	Revenue from Contracts with Customers and IFRS 15 Amendments
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of investment property
Annual Improvements 2014–2016 Cycle	Improvements Amendments to IFRS 1 and IAS 28
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration

IFRS 15, *Revenue from Contracts with Customers and IFRS 15 Amendments*

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The Group assessed that adopting IFRS 15 would not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 4, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

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.

The Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the temporary exemption for IFRS 9, and not to adopt uniform accounting policies in group level.

The Group's material associate, China Everbright Bank Co., Ltd. ("**China Everbright Bank**") applied IFRS 9 retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives of China Everbright Bank for 2017 were not restated. The adoption of IFRS 9 by China Everbright Bank on 1 January 2018 has decreased the total equity of the Group by RMB285 million as at 1 January 2018.

Amendments to IAS 40, ***Transfers of investment property***

The amendment clarified that to transfer to, or from, investment properties, there must be a change in use. To conclude if a property has changed use, there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer. This amendment has had no significant impact on the Group's consolidated financial statements.

Annual Improvements 2014–2016 Cycle, ***Improvements Amendments to IFRS 1 and IAS 28***

IFRS 1 — deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

IAS 28 — clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

These amendments have had no significant impact on the Group's consolidated financial statements.

IFRIC Interpretation 22, ***Foreign Currency Transactions and Advance Consideration***

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment/receipt, in order to confirm the foreign exchange rate used in the initial recognition of the relevant projects, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

This interpretation has had no significant impact on the Group's consolidated financial statements.

(4) New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018

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 Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the deferral approach. Therefore, the Group did not adopt IFRS 9 on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a significant impact on the Group's consolidated financial statements.

(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 2018

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 2018 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

IFRS 16	Leases[(1)]
IFRS 17	Insurance Contracts[(2)]
Amendment to IAS 28	Investments in associates and joint ventures[(3)]
Annual Improvements to 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[(3)]
Amendments to IAS 19	Employee Benefits[(3)]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[(4)]

(1) Effective for the accounting period beginning on 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time.

(2) The new standard is currently mandatorily effective for the accounting period beginning on or after 1 January 2021, however in November 2018, IASB proposed to defer IFRS17 until the financial period beginning on or after 1 January 2022.

(3) Effective for the accounting period beginning on 1 January 2019.

(4) Originally effective for the accounting period beginning on 1 January 2016. The effective date has now been deferred/removed.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17.

The Group has completed the assessment of the impact of IFRS 16, which would not be expected to have material impact on the Group's consolidated financial statements.

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.

Amendments to IAS 28, ***Investments in associates and joint ventures***

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in 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***

IFRS 3 — The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.

IFRS 11 — The amendments clarity that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.

IAS 12 — The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 — The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IAS 19, ***Employee Benefits***

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change

- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling

- separately recognise any changes in the asset ceiling through other comprehensive income.

Amendments to IFRS 10 and IAS 28, ***sale or contribution of assets between an investor and its associate or joint venture***

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

3 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**") and China Re UK Limited ("**China Re UK**"), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc. The Company completed the acquisition of HIIH on 28 December 2018, and the property and casualty reinsurance segment contains assets and liabilities of HIIH.

- The life and health reinsurance segment, operated by the Company and the subsidiary of the Company China Life Reinsurance Company Ltd. ("**China Re Life**"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.

- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("**China Continent Insurance**"), offers a wide variety of insurance products to both personal and corporate customers including motor, property and liability insurance, etc.

- The asset management segment, operated by the subsidiary of the Company, China Re Asset Management Company Ltd., ("**China Re AMC**"), offers asset management services and manages assets and liabilities related to notes issued in overseas.

- Other segments primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

Management monitors the results of the Group's operating segments separately to make decisions about resources allocation and performance assessment. Segment performance is evaluated based on segment profit/ (loss).

More than 90% of the Group's revenue is derived from its operations in Mainland China.

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

	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	**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**

	2017						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	25,238,734	44,311,293	37,268,417	—	—	(1,481,976)	105,336,468
Less: Premiums ceded to reinsurers and retrocessionaires	(781,026)	(2,225,466)	(2,876,050)	—	—	1,481,213	(4,401,329)
Net written premiums	24,457,708	42,085,827	34,392,367	—	—	(763)	100,935,139
Changes in unearned premium reserves	29,967	(546,921)	(2,134,355)	—	—	(528)	(2,651,837)
Net premiums earned	24,487,675	41,538,906	32,258,012	—	—	(1,291)	98,283,302
Reinsurance commission income	97,912	469,218	1,006,453	—	—	(620,289)	953,294
Investment income	2,100,937	3,417,909	1,757,983	353,436	3,167,516	(1,537,627)	9,260,154
Exchange gains/(losses), net	196,641	(141,396)	(91,030)	(37,010)	(65,465)	(17,636)	(155,896)
Other income	53,217	717,248	170,583	488,961	236,671	(336,633)	1,330,047
Total income	26,936,382	46,001,885	35,102,001	805,387	3,338,722	(2,513,476)	109,670,901
— External income	25,511,971	46,001,817	35,887,244	459,883	1,809,986	—	109,670,901
— Inter-segment income	1,424,411	68	(785,243)	345,504	1,528,736	(2,513,476)	—
Claims and policyholders' benefits	(15,033,380)	(41,933,232)	(18,012,189)	—	—	6,824	(74,971,977)
— Claims incurred	(15,033,380)	(4,060,175)	(18,012,189)	—	—	6,824	(37,098,920)
— Life and health reinsurance death and other benefits paid	—	(28,307,952)	—	—	—	—	(28,307,952)
— Changes in long-term life and health reinsurance contract liabilities	—	(9,565,105)	—	—	—	—	(9,565,105)
Handling charges and commissions	(9,819,559)	(1,647,140)	(5,810,135)	—	—	623,073	(16,653,761)
Finance costs	(39,628)	(89,641)	(19,862)	(240,518)	(40,268)	—	(429,917)
Other operating and administrative expenses	(606,481)	(864,175)	(9,689,256)	(415,150)	(1,162,740)	442,810	(12,294,992)
Total benefits, claims and expenses	(25,499,048)	(44,534,188)	(33,531,442)	(655,668)	(1,203,008)	1,072,707	(104,350,647)
Share of profits of associates	56,508	922,802	15,045	(3,884)	674,559	(34,216)	1,630,814
Profit before tax	1,493,842	2,390,499	1,585,604	145,835	2,810,273	(1,474,985)	6,951,068
Income tax	(197,370)	(492,324)	(415,704)	(38,895)	(470,740)	—	(1,615,033)
Profit for the year	1,296,472	1,898,175	1,169,900	106,940	2,339,533	(1,474,985)	5,336,035

	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**
Available-for-sale 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)**

	2017						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	63,522,453	100,630,265	45,036,271	12,135,547	54,373,404	(32,897,815)	242,800,125
Segment liabilities	(44,361,469)	(78,013,811)	(30,812,046)	(10,402,453)	(7,065,315)	3,225,468	(167,429,626)
Other segment information							
Capital expenditures	(14,208)	(9,758)	(389,398)	(10,594)	(27,315)	—	(451,273)
Depreciation and amortisation	(3,659)	(17,049)	(219,086)	(10,655)	(59,225)	—	(309,674)
Interest income	1,342,859	2,380,011	1,100,597	58,522	984,834	(2,145)	5,864,678
Available-for-sale financial assets impairment loss charges	(156,384)	(315,478)	(12,171)	(756)	(115,837)	—	(600,626)
Other impairment loss (reversals)/charges	(9,508)	—	(38,071)	—	6,316	—	(41,263)

4 Business combination

Effective 28 December 2018, the Company completed its acquisition of HIIH, a specialist underwriting group that operates in Lloyd's.

(a) Detail of the purchase consideration is as follows:

Purchase consideration	
Cash paid	**5,229,863**
Contingent consideration	**118,933**
Total purchase consideration	**5,348,796**

(b) The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash and short-term time deposits (i)	**390,115**
Premiums receivable	**2,802,192**
Reinsurance debtors	**1,383,418**
Reinsurers' share of insurance contract liabilities	**7,846,249**
Available-for-sale financial assets	**12,270,437**
Property and equipment	**9,291**
Intangible assets	**24,232**
Intangible assets: Syndicate capacity	**934,291**
Intangible assets: Distribution channel	**602,493**
Intangible assets: VOBA	**145,219**
Deferred tax assets	**241,711**
Other assets	**1,742,863**
Reinsurance payables	**(2,406,710)**
Income tax payable	**(63,883)**
Policyholders' deposits	**(33,901)**
Insurance contract liabilities	**(19,975,598)**
Other liabilities	**(804,092)**
Deferred tax liabilities	**(130,657)**
Net identifiable assets acquired	**4,977,670**
Add: Goodwill	**371,126**
Net assets acquired	**5,348,796**

(c) Purchase consideration — cash outflow

	2018
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**5,229,863**
Less: Cash and cash equivalents acquired (i)	**(232,775)**
Net outflow of cash — investing activities	**4,997,088**

(i) The cash and short-term time deposits of HIIH is RMB390,115 thousand of which RMB157,340 thousand were restricted from use.

5 Gross and net written premiums

(a) Gross written premiums

	2018	2017
Long-term life and health reinsurance	**39,790,118**	36,629,526
Short-term life and health reinsurance	**12,620,441**	7,681,767
Property and casualty reinsurance	**27,106,861**	23,760,397
Primary property and casualty insurance	**42,739,777**	37,264,778
Total	**122,257,197**	105,336,468

(b) Premiums ceded to reinsurers and retrocessionaires

	2018	2017
Long-term life and health reinsurance	**1,860,199**	404,704
Short-term life and health reinsurance	**3,294,447**	1,820,761
Property and casualty reinsurance	**915,382**	792,121
Primary property and casualty insurance	**1,792,078**	1,383,743
Total	**7,862,106**	4,401,329

(c) Net written premiums

	2018	2017
Net written premiums	**114,395,091**	100,935,139

6 Changes in unearned premium reserves

	2018	2017
Short-term life and health reinsurance	**1,530,733**	546,921
Property and casualty reinsurance	**898,254**	57,455
Primary property and casualty insurance	**2,693,451**	2,047,461
Total	**5,122,438**	2,651,837

7 Investment income

	2018	2017
Interest, dividend and rental income (a)	**8,702,084**	6,629,229
Realised (losses)/gains (b)	**(564,667)**	2,131,838
Unrealised (losses)/gains (c)	**(156,511)**	268,184
Negative goodwill arising from investments in associates	**213,623**	831,529
Impairment losses (d)	**(697,995)**	(600,626)
Total	**7,496,534**	9,260,154

(a) Interest, dividend and rental income

	2018	2017
Interest income		
Current and time deposits	**1,052,323**	1,076,983
Fixed maturity investment		
— Held-to-maturity investment	**1,826,338**	1,100,071
— Available-for-sale financial assets	**2,456,078**	1,713,553
— Financial assets at fair value through profit or loss	**61,482**	85,943
— Investments classified as loans and receivables	**2,267,532**	1,830,684
Financial assets held under resale agreements	**49,486**	49,529
Reinsurers' share of policy loans	**9,001**	7,915
Subtotal	**7,722,240**	5,864,678
Dividend income		
— Available-for-sale financial assets	**881,876**	600,773
— Financial assets at fair value through profit or loss	**97,968**	141,522
Subtotal	**979,844**	742,295
Rental income from investment properties	**—**	22,256
Total	**8,702,084**	6,629,229

An analysis of the dividend income from listed and unlisted securities is as follows:

	2018	2017
Dividend income		
Listed securities	**188,207**	139,203
Unlisted securities	**791,637**	603,092
Total	**979,844**	742,295

(b) Realised (losses)/gains

	2018	2017
Fixed maturity investment		
— Available-for-sale financial assets	**51,727**	(40,129)
— Financial assets at fair value through profit or loss	**(13,618)**	(30,883)
Equity securities		
— Available-for-sale financial assets	**(426,462)**	1,486,400
— Financial assets at fair value through profit or loss	**(176,314)**	325,357
— Investments in associates	**—**	(340,490)
— Disposal of Investment properties	**—**	731,583
Total	**(564,667)**	2,131,838

(c) Unrealised (losses)/gains

	2018	2017
Fixed maturity investment		
— Financial assets at fair value through profit or loss	**29,685**	24,036
Equity securities		
— Financial assets at fair value through profit or loss	**(186,196)**	244,148
Total	**(156,511)**	268,184

(d) Impairment losses

	2018	2017
Equity securities		
— Available-for-sale financial assets	**(697,995)**	(600,626)
Total	**(697,995)**	(600,626)

8 Claims and policyholders' benefits

		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**

		2017	
	Gross	Ceded	Net
Claims incurred	39,737,570	(2,638,650)	37,098,920
— Short-term life and health reinsurance	5,468,538	(1,408,363)	4,060,175
— Property and casualty reinsurance	15,017,028	(505,790)	14,511,238
— Primary property and casualty insurance	19,252,004	(724,497)	18,527,507
Life and health reinsurance death and other benefits paid	29,275,823	(967,871)	28,307,952
Changes in long-term life and health reinsurance contract liabilities	9,073,900	491,205	9,565,105
Total	78,087,293	(3,115,316)	74,971,977

9 Profit before tax

Profit before tax is recognised at after charging/(crediting) the following items:

	2018	2017
Employee costs (including directors' and supervisors' emoluments) (a) (note)	**5,291,772**	4,674,054
Depreciation of property and equipment (note)	**256,163**	239,460
Depreciation of investment properties (note)	**3,656**	10,903
Amortisation of intangible assets (note)	**82,726**	59,311
Rental expenses (note)	**550,870**	473,444
Auditors' remuneration	**9,738**	8,880
Impairment losses on available-for-sale financial assets	**697,995**	600,626
Impairment losses on premiums receivable	**81,649**	39,661
Impairment reversal on reinsurance debtors	**(4,256)**	(605)
Impairment losses on other assets	**2,665**	2,207

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

(a) *Employee costs (including directors' and supervisors' emoluments)*

	2018	2017
Salaries, allowances and performance related bonuses	**4,836,714**	4,279,602
Contributions to defined contribution plan	**449,392**	390,202
Contributions to defined benefit retirement plan	**5,666**	4,250
Total	**5,291,772**	4,674,054

10 Income tax

	2018	2017
Current income tax		
Charge for the year	**1,235,270**	1,854,387
Adjustments in respect of prior years	**4,518**	(6,603)
Deferred income tax	**(53,972)**	(232,751)
Total	**1,185,816**	1,615,033

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2018	2017
Profit before tax	**5,084,802**	6,951,068
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**1,271,201**	1,737,767
The effect of different tax rates of other countries and regions (note)	**8,268**	20,587
Tax effect of non-deductible expenses	**108,826**	87,102
Tax effect of non-taxable income	**(354,276)**	(315,872)
Tax effect of unused tax losses not recognised	**114,169**	75,073
Adjustments in prior years	**4,518**	(6,603)
Withheld income tax on dividends received from associates	**33,110**	16,979
Income tax	**1,185,816**	1,615,033

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2018 (the year ended 31 December 2017: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

11 Dividends

	2018	2017
In respect of previous year:		
2018 final dividend: RMB0.048 per ordinary share	**2,039,031**	—
2017 final dividend: RMB0.048 per ordinary share	**—**	2,039,031

12 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue.

	2018	2017
Net profit attributable to the equity shareholders of the parent	**3,729,891**	5,256,296
Weighted average number of ordinary shares (in thousands) (a)	**42,479,808**	42,479,808
Basic and diluted earnings per share (in RMB)	**0.09**	0.12

There were no potential diluted ordinary shares in issue during the year ended 31 December 2018 and the year ended 31 December 2017, so the diluted earnings per share were the same as the basic earnings per share.

(a) Weighted average number of ordinary shares (in thousands)

	2018	2017
Weighted average number of ordinary shares at 31 December	**42,479,808**	42,479,808

13 Premiums receivable

	31 December 2018	31 December 2017
Premiums receivable	**11,266,770**	4,496,935
Less: impairment provision	**(211,094)**	(129,477)
Premiums receivable, net	**11,055,676**	4,367,458

(a) Aging analysis

	31 December 2018	31 December 2017
Within 3 months (inclusive)	**10,684,959**	4,176,329
3 months to 1 year (inclusive)	**388,856**	202,395
1 to 2 years (inclusive)	**105,400**	67,314
Over 2 years	**87,555**	50,897
Total	**11,266,770**	4,496,935
Less: impairment provision	**(211,094)**	(129,477)
Net	**11,055,676**	4,367,458

(b) Impairment provision of premiums receivable

	31 December 2018	31 December 2017
At the beginning of the year	**129,477**	89,816
Charge for the period	**81,649**	39,661
Written off	**(32)**	—
At the end of the year	**211,094**	129,477

14 Reinsurance debtors

	31 December 2018	31 December 2017
Reinsurance debtors	**49,774,984**	24,578,052
Less: impairment provision	**(126,718)**	(118,685)
Reinsurance debtors, net	**49,648,266**	24,459,367

(a) Aging analysis

	31 December 2018	31 December 2017
Within 3 months (inclusive)	**44,867,509**	20,054,951
3 months to 1 year (inclusive)	**2,452,189**	3,011,856
1 to 2 years (inclusive)	**1,242,676**	818,695
Over 2 years	**1,212,610**	692,550
Total	**49,774,984**	24,578,052
Less: impairment provision	**(126,718)**	(118,685)
Net	**49,648,266**	24,459,367

(b) Impairment provision of reinsurance debtors

	31 December 2018	31 December 2017
At the beginning of the year	**118,685**	123,345
Acquisition of subsidiaries	**9,437**	—
Charge for the period	**10,120**	3,908
Reversal for the year	**(14,376)**	(4,513)
Exchange difference	**2,852**	(4,055)
At the end of the year	**126,718**	118,685

15 Investments in associates

	31 December 2018	31 December 2017
Share of net assets		
— Listed shares	**15,885,680**	14,448,703
— Unlisted shares	**5,300,211**	427,746
Total	**21,185,891**	14,876,449

Particulars of the Group's material associates are as follows:

Name of associate	**Place of incorporation and business**	**Registered capital *(RMB million)***	**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 2018	4.42%	1.50%	2.92%
31 December 2017	4.42%	1.50%	2.92%

The Group has significant influence over CEB through a group representative being a director of CEB. As such, the interest in this associate is accounted for using the equity method.

As at 31 December 2018, the market value of the Group's investment in CEB was RMB7,192 million (31 December 2017: RMB7,491 million).

16 Share capital

	31 December 2018	31 December 2017
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 HKD 2.70 per share. This public offering had raised a total amount of RMB13,443 million. As at 31 December 2018, 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.

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 and China Re Syndicate 2088, our domestic and overseas life and health reinsurance business primarily through China Re Life, and our primary P&C insurance business primarily through China Continent Insurance. We utilise and manage our insurance funds in a centralised and professional manner primarily through China Re AMC. In addition, the Group Company operates domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C, and operates the domestic legacy life and health reinsurance business through China Re Life.

The acquisition of Chaucer by the Group has been progressing well, and the Group has completed the closing of HIIH on 28 December 2018. The financial statements set out in this results announcement include the financial information of HIIH after the date of acquisition. For details, please refer to the section of "Major Events" in this results announcement.

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		
	2018	2017	Change (%)
Gross written premiums	**122,257**	105,336	16.1
Gross written premiums by business segment:			
P&C reinsurance[1]	**28,947**	25,239	14.7
Life and health reinsurance[1]	**52,454**	44,311	18.4
Primary P&C insurance[1]	**42,622**	37,268	14.4
Total investment income[2]	**8,530**	10,700	(20.3)
Total investment yield (%)[3]	**4.20**	6.01	Decrease of 1.81 percentage points
Net investment income[4]	**10,403**	8,260	25.9
Net investment yield (%)[5]	**5.12**	4.64	Increase of 0.48 percentage points

Notes:
1. Gross written premiums of each business segment do not consider inter-segment eliminations.
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 investment assets as at the beginning and end of the period.
4. Net investment income equals to the sum of interest, dividends, rental income and share of profits of associates.
5. Net investment yield = Net investment income ÷ average of investment assets as at the beginning and end of the period.

	As at 31 December 2018		As at 31 December 2017	
	Core solvency adequacy ratio (%)	**Aggregated solvency adequacy ratio (%)**	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	**162**	**184**	197	197
Group Company	**416**	**416**	549	549
China Re P&C	**178**	**217**	218	218
China Re Life	**166**	**214**	234	234
China Continent Insurance	**434**	**434**	267	267

Unit: in RMB millions, except for percentages

	As at 31 December 2018	As at 31 December 2017	Change (%)
Embedded value of life and health reinsurance business	**21,763**	20,116	8.2
Value of one year's new business of life and health reinsurance business	**1,341**	1,470	(8.8)

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

In 2018, the Group proactively dealt with the changes in macro environment and market development, and facilitated the implementation of the "One-Three-Five" Strategy, which contributed to the rapid growth in premium volume, continuous optimisation of business structure, steady improvement of market position, major breakthrough in global expansion, and solid transformation towards a high quality development mode.

As the growth of our business remained rapid, our gross written premiums recorded a new high with an increase of 16.1% from RMB105,336 million in 2017 to RMB122,257 million in 2018, of which the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB28,947 million, RMB52,454 million and RMB42,622 million, respectively, representing year-on-year growth of 14.7%, 18.4%, 14.4%, respectively.

Our business structure continued to optimise, with year-on-year growth of 26.5% for domestic non-motor insurance business of P&C reinsurance, representing an increase of 6.3 percentage points in the proportion of domestic P&C reinsurance business; year-on-year growth of 68.6% for domestic facultative reinsurance business of P&C reinsurance, representing an increase of 1.8 percentage points in the proportion of domestic P&C reinsurance business; year-on-year growth of 23.0% for overseas P&C reinsurance business, representing an increase of 0.9 percentage points in the proportion of P&C reinsurance business; year-on-year growth of 74.4% for domestic protection-type business of life and health reinsurance, representing an increase of 8.5 percentage points in the proportion of domestic life and health reinsurance business; year-on-year growth of 54.3% for non-motor primary P&C insurance, representing an increase of 9.2 percentage points in the proportion of primary P&C insurance business.

Our core reinsurance business maintained its steady market position and we continued to have the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium incomes, we accounted for a market share of 3.61% in primary P&C insurance business, jumping to No. 5 in the ranking of all primary P&C insurance companies in the domestic market. During the Reporting Period, we maintained Financial Strength Rating of “A (Excellent)” by A.M. Best and was rated “A” by S&P Global Ratings, with our financial position remaining stable.

In 2018, the Group’s total investment income amounted to RMB8,530 million, representing a year-on-year decrease of 20.3%; total investment yield was 4.20%, representing a year-on-year decrease of 1.81 percentage points. The decrease in total investment yield was mainly due to the year-on-year decrease in equity and fund investment income under the influence of the significant downturn in domestic and overseas equity markets. Our net investment income amounted to RMB10,403 million, representing a year-on-year increase of 25.9%; net investment yield was 5.12%, representing a year-on-year increase of 0.48 percentage points. The increase in net investment yield was mainly due to the fact that we greatly increased our allocation of fixed-income investments in 2017 and the beginning of 2018, resulting in a year-on-year increase in interest income. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

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		
	2018	2017	Change (%)
Gross written premiums	**122,257**	105,336	16.1
Profit before tax	**5,085**	6,951	(26.8)
Net profit	**3,899**	5,336	(26.9)
Net profit attributable to equity shareholders of the parent company	**3,730**	5,256	(29.0)
Earnings per share (RMB)	**0.09**	0.12	(29.0)
Weighted average return on equity (%)[1]	**4.90**	7.22	Decrease of 2.32 percentage points

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

Unit: in RMB millions, unless otherwise stated

	As at 31 December 2018	As at 31 December 2017	Change (%)
Total assets	**340,907**	242,800	40.4
Total liabilities	**253,653**	167,430	51.5
Total equity	**87,254**	75,370	15.8
Net assets per share attributable to equity shareholders of the parent company (RMB)	**1.84**	1.75	5.3

The total assets and total liabilities of the Group at the end of the Reporting Period recorded a year-on-year increase due to the business development of subsidiaries of China Re Group, the acquisition of Chaucer, the introduction of strategic investors by China Continent Insurance, the issuance of capital supplementary bonds by China Re P&C and China Re Life and other factors. In 2018, the net profit attributable to equity shareholders of the parent company of the Group amounted to RMB3,730 million, representing a year-on-year decrease of 29.0%, mainly due to the fact that the Group's total investment income decreased year on year as a result of the significant downturn in domestic and overseas equity markets.

P&C Reinsurance

The businesses of P&C reinsurance segment mainly includes domestic P&C reinsurance business, overseas P&C reinsurance business, CNIP business and legacy P&C reinsurance business. This segment includes the financial information of HIIH after the date of acquisition. The acquisition of Chaucer has no significant impact on the net assets, profit and weighted average return on equity of this segment, and no analysis is made for Chaucer in this segment as yet. We will disclose further details of Chaucer's operation in the 2019 interim report.

In 2018, we made efforts to strengthen our position as a leading domestic reinsurer. We continued to facilitate the establishment of platforms for domestic commercial business and national policy-oriented business, accelerated the implementation of strategic initiatives, and strengthened the innovation-driven model and technological application. We actively grasped the market opportunities brought by the rapid growth of non-motor insurance business and accelerated development of emerging insurance products. We continued to strengthen the capability of our underwriting team, to upgrade our customer service system, and to increase our efforts in the expansion of innovative business. We also continued to develop our business in emerging sectors such as construction inherent defects insurance (IDI), short-term health insurance and new types of liability insurance, which contributed to the continuous optimisation of business structure.

On the premise of strict risk control, we continued to actively develop overseas P&C reinsurance business. We expanded Asia-Pacific market through our Singapore Branch, and developed new insurance products and new clients by utilizing talents and channels of the Lloyd's, thereby further optimizing the insurance product structure, diversifying the business portfolio and achieving relatively rapid growth in business scale.

In 2018, gross written premiums from our P&C reinsurance segment amounted to RMB28,947 million, representing a year-on-year increase of 14.7%, accounting for 23.3% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB1,205 million, and weighted average return on equity reached 5.89%. The combined ratio was 99.6%, representing a year-on-year decrease of 3.5 percentage points. Of such combined ratio, the loss and expense ratio components were 57.1% and 42.5% respectively, representing a year-on-year decrease of 4.3 percentage points and an increase of 0.8 percentage points respectively.

Business Analysis

Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In 2018, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB24,970 million, representing a year-on-year increase of 14.2%. The combined ratio was 99.4%, representing a year-on-year decrease of 1.3 percentage points. Of such combined ratio, the loss and expense ratio components were 55.8% and 43.6% respectively, representing a year-on-year decrease of 1.5 percentage points and an increase of 0.2 percentage points respectively. The year-on-year decrease of combined ratio was mainly due to a year-on-year decrease of loss from disasters in 2018, and improvement of agriculture insurance business quality.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance respectively, which was generally in line with the business mix in the domestic P&C reinsurance market. Meanwhile, as a result of our active development of facultative reinsurance business, the reinsurance premium income amounted to RMB1,337 million, representing a year-on-year increase of RMB544 million or 68.6%. In particular, reinsurance premium income from facultative reinsurance business of construction inherent defects insurance (IDI), liability insurance and short-term health insurance amounted to RMB714 million, representing a year-on-year increase of RMB298 million or 71.7%. In terms of business channels, by virtue of our good cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis.

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			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**23,633**	**94.6**	21,069	96.4
Facultative reinsurance	**1,337**	**5.4**	793	3.6
Total	**24,970**	**100.0**	21,862	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			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Proportional reinsurance	**24,608**	**98.6**	21,503	98.4
Non-proportional reinsurance	**362**	**1.4**	359	1.6
Total	**24,970**	**100.0**	21,862	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			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Direct	**23,304**	**93.3**	20,562	94.1
Via broker	**1,666**	**6.7**	1,300	5.9
Total	**24,970**	**100.0**	21,862	100.0

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 characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, primarily including motor, commercial and household property, agriculture, liability and engineering insurance. Benefited from the rapid growth of non-motor business in primary insurance market and our active development in non-motor reinsurance business, the proportion of non-motor reinsurance business in domestic P&C reinsurance business for the year 2018 increased by 6.3 percentage points on a year-on-year basis, resulting in further optimisation in business structure.

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

Unit: in RMB millions, except for percentages

Line of business	**For the year ended 31 December**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Motor	**8,705**	**34.9**	9,003	41.2
Commercial and household property	**4,740**	**19.0**	3,996	18.3
Agriculture	**3,840**	**15.4**	3,665	16.8
Liability	**2,996**	**12.0**	2,207	10.1
Engineering	**1,687**	**6.8**	1,182	5.4
Others[1]	**3,002**	**11.9**	1,809	8.2
Total	**24,970**	**100.0**	21,862	100.0

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

Motor reinsurance. In 2018, the reinsurance premium income from motor insurance amounted to RMB8,705 million, representing a year-on-year decrease of 3.3%, mainly due to the changes in certain customers' demand for motor reinsurance, and their adjustment to the cession arrangement.

Commercial and household property reinsurance. In 2018, the reinsurance premium income from commercial and household property insurance amounted to RMB4,740 million, representing a year-on-year increase of 18.6%, mainly due to the fact that we actively explored property reinsurance business, and enhanced the business participation of some major customers.

Agriculture reinsurance. In 2018, the reinsurance premium income from agriculture insurance amounted to RMB3,840 million, representing a year-on-year increase of 4.8%, mainly due to the fact that we fully catered to the demand for reinsurance of agriculture business from our clients, and also exerted strict control over business quality and adjusted our business mix to maintain reasonable growth.

Liability reinsurance. In 2018, the reinsurance premium income from liability insurance amounted to RMB2,996 million, representing a year-on-year increase of 35.7%, 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 input for development and efforts in promotion of new types of liability insurance products.

Engineering reinsurance. In 2018, the reinsurance premium income from engineering insurance amounted to RMB1,687 million, representing a year-on-year increase of 42.7%, mainly due to the fact that we actively seized business opportunities of engineering insurance brought by infrastructure construction, made intensified efforts in business development, expanded our business channels and increased the depth and breadth of business participation.

Clients and client services

In 2018, we continued to maintain good client relationships. We have maintained long-term stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. As at the end of the Reporting Period, we maintained business relationships with 82 domestic P&C insurance companies, covering 93.2% of P&C insurance companies in the PRC. In 2018, 33% of our reinsurance contracts were entered into as a lead reinsurer.

Overseas P&C Reinsurance Business

Overseas P&C reinsurance business mentioned in this section refers to the 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.

In 2018, gross written premiums from our overseas P&C reinsurance business amounted to RMB4,149 million (before intra-segment eliminations), representing a year-on-year increase of 23.0%. The combined ratio was 102.3%, representing a year-on-year decrease of 21.4 percentage points. Of such combined ratio, the loss and expense ratio components were 67.4% and 34.9% respectively, representing a year-on-year decrease of 18.5 percentage points and 2.9 percentage points respectively. Our combined ratio improved significantly as compared with that of 2017 but we still recorded underwriting loss, mainly due to the fact that although the total loss caused by global disasters in 2018 was lower than 2017, the total loss was still higher than the average of the last decade.

In terms of types of reinsurance arrangement, our overseas P&C reinsurance business is still dominated by treaty reinsurance. However, the proportion of treaty reinsurance business decreased year on year due to the increase of primary insurance business from Lloyd's channel and the expansion of facultative reinsurance business by our Singapore Branch.

The following table sets forth the gross written premiums from our overseas 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**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**3,737**	**90.1**	3,190	94.5
Facultative reinsurance and others[1]	**412**	**9.9**	184	5.5
Total	**4,149**	**100.0**	3,374	100.0

Note: 1. Including primary premium income from the overseas primary P&C insurance business operated by China Re Syndicate 2088 amounting to RMB346 million in 2018 (2017: RMB143 million).

In terms of geographic areas, Asia, America and Europe were the main source regions of our overseas P&C reinsurance business, representing 41.5%, 33.3% and 22.1% of its total gross written premiums, respectively. In 2018, we achieved good progress through active business development in the Asia-Pacific region, and also increased our participation in the business in America, which contributed to the year-on-year increase in gross written premiums from our business in Asia and America.

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

Unit: in RMB millions, except for percentages

Source region of business	**For the year ended 31 December**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Asia	**1,722**	**41.5**	1,100	32.6
America	**1,381**	**33.3**	1,248	37.0
Europe	**916**	**22.1**	954	28.3
Oceania	**118**	**2.8**	60	1.8
Africa	**12**	**0.3**	12	0.3
Total	**4,149**	**100.0**	3,374	100.0

In terms of lines of business, our overseas P&C reinsurance business primarily provided coverage for non-marine, specialty and liability insurance. Business portfolio consisted mainly of short tail business. We achieved rapid growth in aviation and energy insurance business, leveraged on the Lloyd's channel to actively expand primary liability insurance, and also actively developed new business such as renewable energy insurance and accident and health insurance, striving to facilitate the diversification of overseas business portfolio.

In terms of business channels, we always adhered to long-term cooperation and mutual benefit in order to establish a balanced and stable network of business channels. We insisted on taking brokers as our main source, paid attention to consolidating and strengthening the cooperation with reputable international brokers, actively explored the opportunities of cooperation with distinctive regional brokers, and made certain efforts in developing underwriting agency channel. In addition, we continuously strengthened our direct cooperation with quality clients and maintained a closer business connection.

In terms of clients, we continuously developed quality clients based on the management philosophy of prioritizing profitability and efficiency while paying attention to service quality. We established long-term and stable business relationships with quality and core clients to target at their profitable ceding business. We have established comprehensive cooperation relationships with various internationally renowned major ceding companies and increased our efforts in development of quality regional clients by utilising the geographical advantages of different international platforms, which contributed to significant progress in expansion of quality client base.

In terms of service ability, our quotation ability in Lloyd's and the Asia-Pacific region continued to improve, and our service quality became better received by the clients. Leveraging on the talents and technology advantages as well as years of experience in international business operation, we were able to better serve domestic clients in China by providing more products and international cooperation plans of reinsurance business, and thus our advantages of the synergy between domestic and overseas business could be well taken.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2018, our reinsurance premium income from CNIP amounted to RMB128 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		
	2018	2017	Change (%)
Gross written premiums	**28,947**	25,239	14.7
Less: premiums ceded to retrocessionaires	**(962)**	(781)	23.2
Net written premiums	**27,985**	24,458	14.4
Changes in unearned premium reserves	**(804)**	30	(2,780.0)
Net premiums earned	**27,181**	24,488	11.0
Reinsurance commission income	**98**	98	0.0
Investment income	**1,747**	2,101	(16.8)
Exchange (losses)/gains, net	**(159)**	197	(180.7)
Other income	**42**	52	(19.2)
Total income	**(28,909)**	26,936	7.3
Claims and policyholders' benefits	**(15,529)**	(15,033)	3.3
Handling charges and commissions	**(11,059)**	(9,820)	12.6
Finance costs	**(274)**	(40)	585.0
Other operating and administrative expenses	**(719)**	(607)	18.5
Total benefits, claims and expenses	**(27,581)**	(25,500)	8.2
Share of profits of associates	**52**	57	(8.8)
Profit before tax	**1,380**	1,493	(7.6)
Income tax	**(175)**	(197)	(11.2)
Net profit	**1,205**	1,296	(7.0)

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 14.7% from RMB25,239 million in 2017 to RMB28,947 million in 2018, mainly due to the fast growth of domestic reinsurance business from liability insurance, commercial and household property insurance, engineering insurance and the overseas P&C reinsurance business from Asia and America.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our P&C reinsurance segment increased by 23.2% from RMB781 million in 2017 to RMB962 million in 2018, mainly due to the fact that based on our business needs, we increased the outward retrocession in order to achieve better risk diversification.

Investment Income

Investment income for our P&C reinsurance segment decreased by 16.8% from RMB2,101 million in 2017 to RMB1,747 million in 2018. 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 3.3% from RMB15,033 million in 2017 to RMB15,529 million in 2018. The relatively low growth rate was mainly due to the year-on-year decrease in claims settlement for catastrophe loss.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 12.6% from RMB9,820 million in 2017 to RMB11,059 million in 2018, which was generally in line with the increase in gross written premiums.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment decreased by 8.8% from RMB57 million in 2017 to RMB52 million in 2018, mainly due to the decrease of profits of associates in 2018.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment decreased by 7.0% from RMB1,296 million in 2017 to RMB1,205 million in 2018.

Life and Health Reinsurance

The businesses of life and health reinsurance segment comprise the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by the Group Company through China Re Life. In 2018, with the continuing strict regulation and the combined effect of the product transformation, channel quality improvement, service upgrade and technology empowerment, domestic life and health insurance industry showed a trend of refocusing on protection function and in-depth transformation. On the one hand, life insurance business presented negative growth in new policies after failing to make a good start at the beginning of 2018, it recorded a year-on-year decrease of 3.4% despite of the month-by-month recovery in the rest of the year. On the other hand, the protection-type insurance business such as health insurance experienced rapid growth at a rate of over 20% for the whole year. Affected by the RMB depreciation, the RMB-denominated policies in the Hong Kong life insurance market continued to be sluggish, and the proportion of USD-denominated policies continued to increase during the US interest rate hike cycle. We timely adjusted our market and product strategy, adhered to seeking progress while maintaining stability and innovation development, and strengthened risk awareness. We achieved fast growth in the domestic protection-type reinsurance business, moderate growth in the financial reinsurance business and a year-on-year decline in the savings-type reinsurance business. China Re Life has 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 lead reinsurer.

In 2018, reinsurance premium income from our life and health reinsurance segment amounted to RMB52,454 million, representing a year-on-year increase of 18.4%, accounting for 42.3% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB1,533 million, and weighted average return on equity reached 6.95%, of which reinsurance premium income from China Re Life amounted to RMB52,365 million, representing a year-on-year increase of 18.4%; total written premiums ("**TWPs**") amounted to RMB57,089 million (including TWPs of RMB4,724 million for savings-type non-insurance business), representing a year-on-year increase of 26.3%.

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 financial reinsurance business remained stable with a moderate growth, and the savings-type reinsurance business declined on a year-on-year basis.

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 **2018**		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Domestic protection-type reinsurance	**12,412**	**23.7**	7,119	16.1
Domestic savings-type reinsurance	**4,795**	**9.2**	9,581	21.7
Domestic financial reinsurance	**30,439**	**58.1**	23,826	53.9
Domestic in total	**47,646**	**91.0**	40,526	91.7
Overseas savings-type reinsurance	**4,364**	**8.3**	3,194	7.2
Other overseas business	**355**	**0.7**	489	1.1
Overseas in total	**4,719**	**9.0**	3,683	8.3
Total	**52,365**	**100.0**	44,209	100.0

In addition, we also proactively developed 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 **2018**		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Domestic savings-type non-insurance	**3,971**	**84.1**	300	30.2
Overseas savings-type non-insurance	**753**	**15.9**	695	69.8
Total	**4,724**	**100.0**	995	100.0

Domestic Life and Health Reinsurance

In 2018, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB47,646 million, representing a year-on-year increase of 17.6%; and the TWPs amounted to RMB51,617 million (including TWPs from savings-type non-insurance business of RMB3,971 million), representing a year-on-year increase of 26.4%.

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB12,412 million in 2018, representing a year-on-year increase of 74.4%. Of which, reinsurance premium income from the yearly renewable term reinsurance business (i.e., "**YRT**" reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate) amounted to RMB7,435 million, representing a year-on-year increase of 68.2%, accounting for 59.9% of reinsurance premium income from the protection-type reinsurance business. On the one hand, we focused on promoting the model of "Product + Platform" and "Product + Service", innovatively facilitated the business cooperation with online and offline platform companies. Reinsurance premium income from the mid-end medical care insurance and the accident insurance for drivers and passengers of private-owned motor vehicles amounted to RMB3,107 million, representing a year-on-year increase of 167.1%, which became a new business growth driver. On the other hand, we actively carried out risk prevention and mitigation of major business and achieved a significant progress in "Data + Risk Prevention and Control" to adhere to the bottom line of risk management and improve the business safety margin.

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB4,795 million in 2018, representing a year-on-year decrease of 50.0%; and the TWPs amounted to RMB8,766 million (including TWPs from savings-type non-insurance business of RMB3,971 million), representing a year-on-year decrease of 11.3%. On the one hand, we made accurate conclusion on the tightened cash flow caused by the negative growth in new policies in the industry, and captured the opportunity of low interest rate and secured business income from large contracts at the beginning of 2018. On the other hand, we tackled strong intervention and other challenges from competitors, extensively developed new clients, innovated our business model, actively developed savings-type non-insurance business, and held the bottom line of cost with relatively stable business scale.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB30,439 million in 2018, representing a year-on-year increase of 27.8%. We paid attention to the changes in the regulatory policies, carefully monitored the credit risk of counterparties, continued to maintain our market leading position in the financial reinsurance business and achieved profitable development.

Overseas Life and Health Reinsurance

In 2018, reinsurance premium income from our overseas life and health reinsurance business amounted to RMB4,719 million, representing a year-on-year increase of 28.1%; and the TWPs amounted to RMB5,472 million (including TWPs from savings-type non-insurance business of RMB753 million), representing a year-on-year increase of 25.0%.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB4,364 million in 2018, representing a year-on-year increase of 36.6%; and the TWPs amounted to RMB5,117 million (including TWPs from savings-type non-insurance business of RMB753 million), representing a year-on-year increase of 31.6%. We overcame the continued downturn in the sales of RMB-denominated policies in Hong Kong, extensively explored the market demand, and leveraged on the dual drivers of new policies and renewal business, thereby achieving stable development in the overseas savings-type reinsurance business with a moderate growth.

In respect of other overseas business, reinsurance premium income amounted to RMB355 million in 2018, representing a year-on-year decrease of 27.4%.

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

Type of reinsurance arrangement	**For the year ended 31 December**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Treaty reinsurance	**52,058**	**99.4**	44,012	99.6
Facultative reinsurance	**307**	**0.6**	197	0.4
Total	**52,365**	**100.0**	44,209	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**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Proportional reinsurance	**52,324**	**99.9**	44,173	99.9
Non-proportional reinsurance	**41**	**0.1**	36	0.1
Total	**52,365**	**100.0**	44,209	100.0

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

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

Unit: in RMB millions, except for percentages

Insurance product type	**For the year ended 31 December**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Life	**40,458**	**77.3**	36,849	83.4
Health	**9,756**	**18.6**	5,061	11.4
Accident	**2,151**	**4.1**	2,299	5.2
Total	**52,365**	**100.0**	44,209	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		
	2018	2017	Change (%)
Gross written premiums	**52,454**	44,311	18.4
Less: premiums ceded to retrocessionaires	**(5,155)**	(2,225)	131.7
Net written premiums	**47,299**	42,086	12.4
Changes in unearned premium reserves	**(1,531)**	(547)	179.9
Net premiums earned	**45,768**	41,539	10.2
Reinsurance commission income	**453**	469	(3.4)
Investment income	**3,365**	3,418	(1.6)
Exchange losses, net	**(58)**	(141)	(58.9)
Other income	**1,440**	717	100.8
Total income	**50,968**	46,002	10.8
Claims and policyholders' benefits	**(45,854)**	(41,933)	9.4
Handling charges and commissions	**(2,241)**	(1,647)	36.1
Finance costs	**(315)**	(90)	250.0
Other operating and administrative expenses	**(1,575)**	(865)	82.1
Total benefits, claims and expenses	**(49,985)**	(44,535)	12.2
Share of profits of associates	**919**	923	(0.4)
Profit before tax	**1,902**	2,390	(20.4)
Income tax	**(369)**	(492)	(25.0)
Net profit	**1,533**	1,898	(19.2)

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 18.4% from RMB44,311 million in 2017 to RMB52,454 million in 2018, mainly due to the growth in the protection-type reinsurance business and the financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 131.7% from RMB2,225 million in 2017 to RMB5,155 million in 2018, mainly due to the growth in retrocession from the protection-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment decreased by 1.6% from RMB3,418 million in 2017 to RMB3,365 million in 2018. 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 9.4% from RMB41,933 million in 2017 to RMB45,854 million in 2018, which was generally in line with the increase in gross written premiums.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased by 36.1% from RMB1,647 million in 2017 to RMB2,241 million in 2018, mainly due to the growth in the protection-type reinsurance business.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment decreased by 0.4% from RMB923 million in 2017 to RMB919 million in 2018, which was basically flat year-on-year.

Net Profit

As a result of the foregoing reasons, net profit for the life and health reinsurance segment decreased by 19.2% from RMB1,898 million in 2017 to RMB1,533 million in 2018.

Primary P&C Insurance

The business of primary P&C reinsurance segment refers to the property and casualty insurance business operated by China Continent Insurance. In 2018, we fully promoted the strategic transformation and established a customer-oriented comprehensive operation system. We actively dealt with the market-oriented reform of commercial motor insurance rates, increased our efforts to develop non-motor insurance business such as personal loan surety insurance, accident and short-term health insurance, liability insurance and cargo insurance, and maintained rapid growth in gross written premiums. We adhered to facilitating the development through innovation, and continued to improve our ability of technology innovation and application. The application of innovative technology achieved positive results in terms of cost control and claims settlement.

In 2018, gross written premiums from our primary P&C insurance segment amounted to RMB42,622 million, representing a year-on-year increase of 14.4% and accounting for 34.4% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB42,395 million, representing a year-on-year increase of 14.2%. Net profit amounted to RMB908 million, and weighted average return on equity reached 4.61%. The combined ratio was 100.3%, representing a year-on-year increase of 0.4 percentage points. Of such combined ratio, the loss and expense ratio components were 55.6% and 44.7% respectively, representing a year-on-year decrease of 0.3 percentage points and an increase of 0.7 percentage points respectively. The year-on-year increase in the combined ratio was mainly attributable to the increase in overall cost of motor insurance resulting from intensified competition in motor insurance market with the continuously deepened market-oriented reform of commercial motor insurance rates.

Based on primary premium income of P&C insurance companies in the domestic market in 2018 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.61%, representing a year-on-year increase of 0.09 percentage points, jumping to No. 5 in ranking of all primary P&C insurance companies in the domestic market.

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**			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Motor	**27,241**	**64.3**	27,301	73.5
Surety	**4,993**	**11.8**	2,623	7.1
Accident and Short-term Health	**4,927**	**11.6**	3,169	8.5
Liability	**1,665**	**3.9**	1,326	3.6
Commercial Property	**1,001**	**2.4**	941	2.5
Cargo	**949**	**2.2**	448	1.2
Others[1]	**1,619**	**3.8**	1,315	3.6
Total	**42,395**	**100.0**	37,123	100.0

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

Motor Insurance. In 2018, primary premium income from our motor insurance amounted to RMB27,241 million, representing a year-on-year decrease of 0.2%. We continued to push forward the strategy of "identifying, controlling and introducing", and released 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 2018, primary premium income from surety insurance amounted to RMB4,993 million, representing a year-on-year increase of 90.4%. We continued to develop the personal loan surety insurance business, continuously innovated products, channels, technologies and development models. In 2018, we opened 185 stores/business outlets under the personal loan surety insurance business department, covering 110 cities in 29 provinces. The risk control was at a good level, with a bad debt ratio of 6.35%. We mainly cooperated with commercial banks. With good risk management ability and stable development strategy, we have cooperated with various national or local joint stock banks.

Accident and Short-term Health Insurance. In 2018, primary premium income from accident and short-term health insurance amounted to RMB4,927 million, representing a year-on-year increase of 55.5%, of which primary premium income from accident insurance amounted to RMB3,020 million, representing a year-on-year increase of 74.8%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB1,465 million, representing a year-on-year increase of 36.4%; primary premium income from critical illness insurance amounted to RMB442 million, representing a year-on-year increase of 20.4%. Our "Motor + Personal Accident" business maintained a rapid growth. Under strengthened risk management and control, we continued to expand the Million Medical Care, overseas critical illness, cancer prevention for the elderly and other personal health insurance businesses, and actively promoted critical illness insurance for urban and rural residents, employee supplemental medical insurance, and care insurance, so as to assume the function of insurance in serving the society.

Liability Insurance. In 2018, primary premium income from liability insurance amounted to RMB1,665 million, representing a year-on-year increase of 25.6%. We captured the insurance opportunities from the changes in government management functions, focused on people's livelihood, and made great efforts in promoting innovative businesses including compulsory safe production liability insurance, construction and residential projects quality liability insurance, prototype equipment scheme comprehensive insurance and litigation property preservation liability insurance, achieving relatively rapid growth in liability insurance business.

Commercial Property Insurance. In 2018, primary premium income from commercial property insurance amounted to RMB1,001 million, representing a year-on-year increase of 6.4%. We integrated resources within the Group, gave full play to the technical advantages of professionals in various fields, expanded the number of key projects, 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 national Belt and Road Initiative, environmental protection, "Insurance + Service" and other emerging fields, and increased our efforts in business expansion. On the premise of strengthening risk management and control, our commercial property insurance business has maintained steady growth.

Cargo Insurance. In 2018, primary premium income from cargo insurance amounted to RMB949 million, representing a year-on-year increase of 111.8%. On the one hand, with the rapid development of domestic online shopping platform and logistics industry, domestic road transportation insurance has achieved relatively rapid development; on the other hand, traditional business such as export cargo insurance has maintained steady development.

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			
	2018		2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Insurance agents	**26,528**	**62.6**	21,890	59.0
Of which: Individual insurance agents	**16,592**	**39.2**	13,914	37.6
Ancillary insurance agencies	**3,907**	**9.2**	4,247	11.4
Professional insurance agencies	**6,029**	**14.2**	3,729	10.0
Direct sales	**12,528**	**29.6**	13,206	35.6
Insurance brokers	**3,339**	**7.8**	2,027	5.4
Total	**42,395**	**100.0**	37,123	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 2018 Amount	2018 Percentage (%)	2017 Amount	2017 Percentage (%)
Shanghai	**7,092**	**16.7**	4,545	12.2
Zhejiang	**3,511**	**8.3**	3,070	8.3
Shandong	**3,032**	**7.2**	3,049	8.2
Yunnan	**2,924**	**6.9**	2,785	7.5
Guangdong	**2,500**	**5.9**	1,942	5.2
Inner Mongolia	**1,773**	**4.2**	1,743	4.7
Jiangsu	**1,535**	**3.6**	1,548	4.2
Jiangxi	**1,381**	**3.3**	1,285	3.5
Henan	**1,321**	**3.1**	1,166	3.1
Hebei	**1,297**	**3.1**	1,254	3.4
Others	**16,029**	**37.7**	14,736	39.7
Total	**42,395**	**100.0**	37,123	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 2018	2017
Loss ratio (%)	**55.6**	55.9
Expense ratio (%)[1]	**44.7**	44.0
Combined ratio (%)	**100.3**	99.9

Note: 1. The calculation of the expense ratio takes into account of 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		
	2018	2017	Change (%)
Gross written premiums	**42,622**	37,268	14.4
Less: Premiums ceded to reinsurers	**(3,509)**	(2,876)	22.0
Net written premiums	**39,113**	34,392	13.7
Changes in unearned premium reserves	**(2,788)**	(2,134)	30.6
Net premiums earned	**36,325**	32,258	12.6
Reinsurance commission income	**1,266**	1,006	25.8
Investment income	**1,708**	1,758	(2.8)
Exchange gains/(losses), net	**82**	(91)	(190.1)
Other income	**232**	171	35.7
Total income	**39,613**	35,102	12.9
Claims and policyholders' benefits	**(20,189)**	(18,012)	12.1
Handling charges and commissions	**(6,783)**	(5,810)	16.7
Finance costs	**(150)**	(20)	650.0
Other operating and administrative expenses	**(11,190)**	(9,689)	15.5
Total benefits, claims and expenses	**(38,312)**	(33,531)	14.3
Share of profits of associates	**8**	15	(46.7)
Profit before tax	**1,309**	1,586	(17.5)
Income tax	**(401)**	(416)	(3.6)
Net profit	**908**	1,170	(22.4)

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 14.4% from RMB37,268 million in 2017 to RMB42,622 million in 2018, 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 22.0% from RMB2,876 million in 2017 to RMB3,509 million in 2018, mainly due to the growth in business scale which led to the increase in premiums ceded.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 25.8% from RMB1,006 million in 2017 to RMB1,266 million in 2018, mainly due to the continuous increase in premiums ceded, and the improvement in claims settlement in reinsurance contracts compared with the past.

Investment Income

Investment income for our primary P&C insurance segment decreased by 2.8% from RMB1,758 million in 2017 to RMB1,708 million in 2018. 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 12.1% from RMB18,012 million in 2017 to RMB20,189 million in 2018, mainly due to the increase in loss ratio for motor insurance, and the growth in business scale also led to an increase in claims.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 16.7% from RMB5,810 million in 2017 to RMB6,783 million in 2018, mainly due to the continuous growth in business scale which led to the increase in handling charges.

Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 22.4% from RMB1,170 million in 2017 to RMB908 million in 2018.

Asset Management

The Group principally commissions China Re AMC to manage its investment assets. As at the end of the Reporting Period, the total investment assets balance of the Group was RMB217,955 million, of which RMB198,378 million was under the management of China Re AMC. In addition, China Re AMC managed third party assets under commissions of RMB24,416 million.

In 2018, we continued to improve the investment risk management mechanism, steadily promoted the construction of the investment risk management framework and information system, and further improved the investment risk management. We continuously optimised the risk monitoring scheme, set key risk indicators and thresholds based on overall risk appetites, continued to conduct investment risk monitoring, and timely conducted risk warnings and reporting. In order to cope with the extreme risk condition, we used scenario analysis, stress test and other methods to measure the potential loss extent, focused on the impact of market volatility and interest rate changes on the investment income and the solvency of the Group, and closely monitored risk exposure. Faced with the frequent occurrence of defaults in the bond market and the accelerated exposure of credit risks in 2018, we further enhanced credit risk management and control, strengthened the penetrative risk management and trading counterparty credit management, comprehensively reviewed the credit risk condition, and evaluated full-calibre credit risk exposure of every single client of the Group to maintain overall risk controllability.

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 2018		As at 31 December 2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Cash and short-term time deposits	**12,400**	**5.7**	10,754	5.7
Fixed-income investments	**153,733**	**70.5**	126,727	67.3
Time deposits	**4,409**	**2.0**	5,240	2.8
Bonds	**88,123**	**40.5**	70,276	37.3
Government bonds	**982**	**0.5**	756	0.4
Financial bonds	**11,241**	**5.2**	13,641	7.2
Enterprise (corporate) bonds	**66,716**	**30.6**	47,519	25.3
Subordinated bonds	**9,184**	**4.2**	8,360	4.4
Investments classified as loans and receivables	**41,065**	**18.8**	32,871	17.4
Other fixed-income investments[1]	**20,136**	**9.2**	18,340	9.8
Equity and investment funds	**39,600**	**18.2**	41,062	21.8
Investment funds[2]	**17,740**	**8.2**	16,000	8.5
Stocks	**11,575**	**5.3**	17,473	9.3
Embedded derivatives	**226**	**0.1**	192	0.1
Unlisted equity shares[3]	**10,059**	**4.6**	7,397	3.9
Other investment	**26,416**	**12.1**	17,577	9.3
Investments in associates	**21,186**	**9.7**	14,876	7.9
Others[4]	**5,230**	**2.4**	2,701	1.4
Less: securities sold under agreements to repurchase	**(14,194)**	**(6.5)**	(7,711)	(4.1)
Total investment assets	**217,955**	**100.0**	188,409	100.0

Notes: 1. Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans, etc.

2. Including monetary funds and the senior tranche of structured index funds.

3. Including assets management products, unlisted equity investments and equity investment schemes.

4. Including investment properties, derivative financial instruments, etc.

In 2018, we strengthened the dynamic balance mechanism of tactical asset allocation, with which we promoted the improvement of investment management. We optimised the allocation structure and increased the allocation proportion of fixed-income investment, which laid a solid foundation for obtaining stable income in the future. We actively captured the opportunities arising from the significant adjustment in the bond market, increased the allocation of high-quality mid-to-long-term debentures, and the allocation proportion of bonds was significantly higher than the industry average. We controlled the proportion of equity allocation in the secondary market, strengthened market risk management and control, and decreased the allocation proportion of our equity and investment funds, which reduced the risk of market retracement.

As at the end of the Reporting Period, our significant investments held mainly include Bairong World Trade Center Real Estate Debt Investment Scheme and investments in associate companies, namely China Everbright Bank Co., Ltd. ("**China Everbright Bank**") and China Great Wall Asset Management Co., Ltd. ("**Great Wall Asset**").

On 23 June 2016, China Re P&C, China Re Life and China Continent Insurance entered into a trust contract respectively with China Re AMC, to subscribe for the real estate debt investment scheme of Bairong World Trade Center with a term of 11 years. The subscription amount by China Re P&C, China Re Life and China Continent Insurance was RMB8,000 million in total. A principal of RMB1,000 million in total for such scheme was repaid to the investors on 27 June 2017 and 27 June 2018, respectively. In 2018, the underlying assets of such scheme, Towers A, B and C of Bairong World Trade Center, were under normal rental operation, and the repayment entity maintained a normal financial condition.

In 2018, China Everbright Bank recorded favourable growth in revenue and the profit growth was generally in line with the market expectation. As at the end of the Reporting Period, China Re Group held approximately 4.42% of China Everbright Bank's equity share in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

On 6 July 2018, China Re P&C and China Continent Insurance entered into share subscription agreements with Great Wall Asset respectively to subscribe for newly issued shares of Great Wall Asset. China Re P&C and China Continent Insurance respectively held approximately 3.64% and 2.86% of Great Wall Asset's total issued shares and the subscription was approved by the CBIRC on 14 August 2018. The highest applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the subscription exceeds 5% but is less than 25%, hence the subscription constitutes a discloseable transaction of the Company. For further details, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company on 6 July 2018 and 22 August 2018.

On 15 December 2018, China Continent Insurance (the buyer) entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd. (the vendor), and agreed to acquire a property from the vendor at a consideration of approximately RMB3,085 million, payable in cash. The target of the acquisition is Building No. 1 (located at No. 6 Lane 38, Yuanshen Road) of the Shanghai Fuyuan Landmark Plaza Project located at the land plot Nos. 04-4 of Huangpu Riverbank Unit E10, Pudong New District, Shanghai, the PRC. The property is an investment property for commercial use and is a self-owned property of the Group. The delivery of the property is expected to be completed by 2020. The highest applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the acquisition exceeds 5% but is less than 25%, hence the acquisition constitutes a discloseable transaction of the Company. For further details, please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 16 December 2018.

Investment Performance

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

Unit: in RMB millions, except for percentages

Investment income	For the year ended 31 December **2018**	2017
Cash and fixed-income investments	**7,790**	5,818
Interest income	**7,722**	5,865
Realised gains/(losses)	**38**	(71)
Unrealised gains	**30**	24
Impairment losses	**—**	—
Equity and investment funds	**(495)**	1,857
Dividend income	**980**	742
Realised (losses)/gains	**(603)**	1,472
Unrealised (losses)/gains	**(174)**	244
Impairment losses	**(698)**	(601)
Other investment	**1,903**	3,216
Investment income from investment in associates	**1,915**	2,462
Other (losses)/gains[1]	**(12)**	754
Less: interest expenses on securities sold under agreements to repurchase	**(668)**	(191)
Total investment income	**8,530**	10,700
Total investment yield (%)[2]	**4.20**	6.01
Net investment income	**10,403**	8,260
Net investment yield (%)[3]	**5.12**	4.64

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

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

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

In 2018, the Group's total investment income amounted to RMB8,530 million, representing a year-on-year decrease of 20.3%; total investment yield was 4.20%, representing a year-on-year decrease of 1.81 percentage points. The decrease in total investment yield was mainly due to the year-on-year decrease in equity and fund investment income affected by the significant downturn in domestic and overseas equity markets. Our net investment income amounted to RMB10,403 million, representing a year-on-year increase of 25.9%; net investment yield was 5.12%, representing a year-on-year increase of 0.48 percentage points. The increase in net investment yield was mainly due to the fact that we greatly increased our allocation of fixed-income investments in 2017 and the beginning of 2018, resulting in a year-on-year increase in interest income.

Insurance Intermediary

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and Consultant Service Limited and its subsidiary, Huatai Surveyors & Adjusters Company Limited. In 2018, under the increasingly fierce competition in the insurance intermediary market, we adhered to the overall development strategy of "market-oriented development, institutionalised management and professional service", firmly promoted the "Go Global" marketing initiative, increased our efforts in optimizing market deployment and persisted in facilitating collaborative development. In addition to consolidating our advantages in traditional fields such as infrastructure, finance and shipping, we also actively expanded to innovative fields such as internet, health management, environmental pollution control and renewable energy vehicles to promote sustainable development.

In 2018, revenue from insurance intermediary business amounted to RMB296 million, representing a year-on-year increase of 14.3%. The revenue of all business lines has maintained a stable growth. Profit before tax amounted to RMB1.58 million.

Solvency

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

Unit: in RMB millions, except for percentages

	As at 31 December 2018	As at 31 December 2017	Change (%)
China Re Group			
Core capital	**66,377**	55,465	19.7
Available capital	**75,373**	55,465	35.9
Minimum capital	**40,946**	28,145	45.5
Core solvency adequacy ratio (%)	**162**	197	Decrease of 35 percentage points
Aggregated solvency adequacy ratio (%)	**184**	197	Decrease of 13 percentage points
Group Company			
Core capital	**56,761**	54,157	4.8
Available capital	**56,761**	54,157	4.8
Minimum capital	**13,639**	9,857	38.4
Core solvency adequacy ratio (%)	**416**	549	Decrease of 133 percentage points
Aggregated solvency adequacy ratio (%)	**416**	549	Decrease of 133 percentage points
China Re P&C			
Core capital	**18,608**	18,003	3.4
Available capital	**22,607**	18,003	25.6
Minimum capital	**10,429**	8,243	26.5
Core solvency adequacy ratio (%)	**178**	218	Decrease of 40 percentage points
Aggregated solvency adequacy ratio (%)	**217**	218	Decrease of 1 percentage point
China Re Life			
Core capital	**17,021**	17,425	(2.3)
Available capital	**22,018**	17,425	26.4
Minimum capital	**10,278**	7,461	37.8
Core solvency adequacy ratio (%)	**166**	234	Decrease of 68 percentage points
Aggregated solvency adequacy ratio (%)	**214**	234	Decrease of 20 percentage points
China Continent Insurance			
Core capital	**24,392**	13,360	82.6
Available capital	**24,392**	13,360	82.6
Minimum capital	**5,626**	5,007	12.4
Core solvency adequacy ratio (%)	**434**	267	Increase of 167 percentage points
Aggregated solvency adequacy ratio (%)	**434**	267	Increase of 167 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.

At the end of 2018, China Re Group, the Group Company, China Re P&C, China Re Life and China Continent Insurance were all in compliance with the regulatory requirement regarding their respective solvency. Compared with the end of 2017, the solvency adequacy ratio of China Re Group decreased to a certain extent, mainly due to the increase of minimum capital resulting from the acquisition of Chaucer and business growth of China Re Group. In particular, the solvency adequacy ratio of the Group Company decreased, mainly due to the acquisition of Chaucer and the internal retrocession arrangement of China Re Group. The solvency adequacy ratio of China Re Life decreased, mainly due to the rapid growth of its business. The solvency adequacy ratio of China Re P&C generally remained stable and that of China Continent Insurance increased significantly, mainly due to the fact that introduction of strategic investors through capital increase significantly increased its available capital.

According to the requirements of The Solvency Regulatory Rules (No. 1–17) for Insurance Companies（《保險公司償付能力監管規則（1–17號）》）issued by the CBIRC, the "Summary of Solvency Reports" for the fourth quarter of 2018 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 Report as of the end of the fourth quarter of 2018:

Unit: in RMB millions

Entities / Indicators	Group Company	China Re P&C	China Re Life	China Continent Insurance
	As at 31 December 2018			
Net assets	57,506	18,639	14,197	25,334
	For the year ended 31 December 2018			
Insurance income	18,799	26,688	52,365	42,622
Net profit	2,284	935	1,235	1,016

Note: As the calculation of consolidated profit of the Group is affected by offsetting factors and differences in income tax, 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.

Details of Assets Charged and Borrowings

As at 31 December 2018, the bonds with market value of RMB22,783 million (31 December 2017: RMB14,844 million) are deposited in the collateral pool as the securities sold under agreements to repurchase of 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 2018, the Group holds a short-term unsecured borrowing of GBP60 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year.

As at 31 December 2018, the Group holds a long-term borrowing of US$524 million with a coupon rate of 4.70%, which will be repayable within 60 months.

Contingencies

As at 31 December 2018, the Group has issued the following guarantees:

As at 31 December 2018, the Group Company provided maritime guarantee of RMB2,514 million (31 December 2017: RMB2,313 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 2018, the Group Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million (31 December 2017: GBP125 million).

As at 31 December 2018, HIIH provided letter of credit to Lloyd's to support Syndicate 1084 and Syndicate 1176's underwriting business of 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.

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 2018, the invested proceeds from the initial public offering of the Company amounted to HKD9,611 million, of which:

(1) HKD7,167 million was used for the capital increase of the subsidiaries and overseas branches of the Company;

(2) HKD876 million was used for the payment of underwriting expenses and general corporate purposes; and

(3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company.

During the Reporting Period, the Group has utilised the proceeds from the initial public offering of HKD1,568 million to pay the consideration for acquisition of subsidiaries.

As of 31 December 2018, the balance of the proceeds from the initial public offering amounted to HKD6,781 million and will be utilised in accordance with the purposes as disclosed in the Prospectus.

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

During the Reporting Period, the Company and Central Huijin, the controlling shareholder, had complied with the undertakings made by them as set out in the Prospectus. For details of the relevant undertakings, please refer to the sections headed "Substantial Shareholders" and "Share Capital" in the Prospectus.

Other Major Events

Acquisition of Chaucer

On 13 September 2018, the Company and The Hanover Insurance Group, Inc. (the "**Vendor**") entered into an agreement to acquire 100% equity interests in Chaucer. Chaucer is the collective name of the following three legal entities: The Hanover Insurance International Holdings Limited (the "**HIIH**"), Chaucer Insurance Company Designated Activity Company (the "**CIC**") and Hanover Australia HoldCo Pty Ltd (the "**HAH**"). The Company has completed the acquisition of the HIIH on 28 December 2018, the closing of the acquisition of the CIC on 14 February 2019.

For further details, please refer to the announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 13 September 2018, 29 October 2018, 31 December 2018 and the circular dated 14 September 2018.

Transfer of Certain Domestic Shares of the Company to the NSSF by Ministry of Finance

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.

For further details, please refer to the announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 29 April 2018.

Prospects

Market Environment

Looking forward to 2019, China will remain in an important period of strategic opportunities, and its economy will shift to high quality development at a faster pace. The insurance industry will further promote the national strategies, serve the real economy, strengthen its risk protection function and enjoy a favourable trend of development in the long term. Strict regulation and risk prevention will be the main focus of insurance regulation in the complicated and intensifying market competition. Insurance technology has become a new driver of industry development, and with the support of technology, insurance companies may achieve precise pricing, enhance operation efficiency and improve customer loyalty.

In the primary P&C insurance market, it is expected that the industry’s growth driver and focus will shift faster to non-motor insurance. The intensification of market-oriented reform of commercial motor insurance rates continues, and 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 trends.

For the primary life and health insurance market, under the guidance of strict regulation, risk prevention and high-quality development policies, the industry will refocus on the protection function in a faster pace and carry out in-depth transformation in products, sales and operations. Products will have more intrinsic value with faster upgrade and become more closely integrated with services. Sales and operations will be shifted from human-driven to technology-driven, and third party sales platforms, internet platforms and other new channels will nurture new momentum for high quality development. As a result, protection-type businesses will face new opportunities.

For the P&C reinsurance market, the shift of growth towards non-motor insurance in primary insurance market will push the domestic P&C reinsurance market into a new growth cycle. The proportion of non-motor reinsurance businesses will further increase. Reinsurance businesses from agriculture insurance, liability insurance, surety 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 are expected to grow at a faster pace. Reinsurance market participants are becoming more diversified, with service and innovation capabilities increasingly recognised as important means of competition. The impacts from frequent catastrophic events in the last two years may boost the reinsurance demand in overseas P&C reinsurance market. However, the rates are expected to remain basically stable due to abundant capital supply and persistent underwriting overcapacity.

For the life and health reinsurance market, the overall development of domestic protection-type business will have favourable momentum. The health insurance products will be integrated with the health industry chain in a faster pace, which will increase the operation complexity and lead to the continuous increase in demand for comprehensive reinsurance solutions. China market has good growth potential, and competition among market entities continuously intensifies. For overseas markets, as the pressure of RMB depreciation eases and the two-way fluctuation intensifies, the prospect of RMB-denominated business will be clouded with uncertainty while foreign currency denominated business will enjoy certain development opportunities.

For the deployment of insurance funds and the development of capital markets, preparing for risk prevention and mitigation will be an important policy guideline for the country and the insurance industry. Affected by the domestic deleveraging, trade war and US Federal Reserve rate hike, the complexity and volatility of changes in capital market rise, which increase the difficulty in market trend prediction and asset allocation, hence posing greater challenges to the ability of active management of insurance fund and asset allocation.

Outlook of China Re Group

In 2019, China Re Group will focus on three major strategies, namely, platform operation, technology advancement and globalisation, adhere to "stabilising growth, adjusting structure and increasing benefit", to ensure orderly business deployment and to enhance the quality and efficiency of operation. We will also accelerate the implementation of the "One-Three-Five" Strategy and the transformation to high quality development, thereby achieving stable growth in overall value.

For the P&C reinsurance business, we will accelerate the optimisation and transformation of our business structure, to achieve steady growth of domestic business and rapid development of overseas business. We will stabilise the business with traditional competitiveness, consolidate our position as a leading domestic reinsurer, strive to develop non-motor reinsurance business and facilitate the business deployment in emerging fields. We will improve the innovative mechanism, increase innovation investment and facilitate market development. We will also strengthen intra-group collaboration, build up an external cooperation network, and enhance core competitiveness of our business. We will adhere to being customer-oriented and improve customer service through customised solutions. We will promote the restructuring of overseas business resource, strive to ensure stable and effective integration of Chaucer and establish a collaborative and interactive integrated platform of overseas business. We will also enhance the synergy and complementarity between domestic and overseas businesses.

For the life and health reinsurance business, we will fully capture the opportunity of transformation to high quality development in the industry and optimise business structure to achieve sustainable development. We will focus on the innovation driven concept, actively facilitate the implementation of “Data +” and “Product +” strategies, put great efforts in developing protection-type business, accelerate the integration of health management services and seek opportunity to deploy one health and aged care industries, in order to enhance the quality and efficiency and accelerate the development of protection-type reinsurance business. We will enhance the interaction between reinsurance business and investment business, continuously facilitate the establishment of overseas business and investment dual-platforms, diversify the saving-type reinsurance business, in order to achieve stable growth in saving-type business. We will also actively develop the financial reinsurance business on the premise of controllable risks with capital support.

For the primary P&C insurance business, we will continuously optimise product structure, facilitate development, and consolidate our market position. We will deepen the “Non-motor Insurance Business” strategy, strive to make breakthrough and achieve balanced development in policy-related and profitable insurance types. We will put efforts in optimizing the quality of motor insurance business, fully upgrade the strategy of “identifying, controlling and introducing”, strengthen the management and control function of cost resource allocation, so as to ensure sustainable and high-quality development. We will accelerate the business development in motor, consumer finance and grand transportation ecosystems to strengthen the synergy in the industrial chain. We will continue to promote the in-depth implementation of the customer-oriented comprehensive operation model. We will fully initiate the project of turning towards on-line, digitisation, and intelligence, so as to build a brand new model for customer management.

For the asset management business, we will strengthen our investment ability to increase our income. We will strengthen the abilities in asset and liability management and asset allocation and further optimise the interactive mechanism of strategic asset allocation, thereby facilitating the income increase through allocation optimisation. We will continuously improve our abilities in research, innovation and risk control, prevent credit risk and liquidity risk, and strive to achieve long-term and stable investment income.

Embedded Value

1. Valuation Results

The Chinese Association of Actuaries issued the implementation standards for life insurance embedded value ("**EV**") calculation ("**EV standards**") in November 2016, which indicated the formal implementation of EV under China risk oriented solvency system ("**C-ROSS**"). Based on those standards, we performed the China Re Group embedded value calculation as at 31 December 2018.

This section summarises the EV and the value of one year's new business ("**1-year VNB**") results as at 31 December 2018 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	**31 Dec 2018**	31 Dec 2017
Embedded value		
Adjusted net worth ("**ANW**")	**81,175**	76,174
Value of in-force business before CoC	**8,456**	6,860
Cost of Capital ("**CoC**")	**(2,896)**	(2,546)
Value of in-force business after CoC	**5,560**	4,314
Embedded value	**86,735**	80,488
including:		
adjusted net worth of life and health reinsurance business	**16,361**	15,971
value of in-force business after CoC of life and health reinsurance business	**5,402**	4,145
embedded value of life and health reinsurance business	**21,763**	20,116
Value of new business of life and health reinsurance business		
Value of one year's new business before CoC	**2,352**	2,402
Cost of Capital	**(1,011)**	(932)
Value of one year's new business after CoC	**1,341**	1,470

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

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

2. Movement Analysis

The table below shows the movement analysis of the EV of China Re Group for the period from 31 December 2017 to 31 December 2018.

Unit: in RMB millions

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2017	20,116	EV as at 2017 year end
2	Model change	-15	Model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2017	20,101	EV as at 2017 year end after model improvement
4	Expected return on EV	1,456	Expected return on EV in the year of 2018
5	Impact of new business	1,295	Impact of new business in the year of 2018
6	Impact of market value adjustments and other adjustments	263	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	-427	Difference between actual investment income and expected investment income in the year of 2018
8	Operating experience variances	-189	Difference between actual operational experience and expected operational results in the year of 2018
9	Change in assumptions	93	Adjustments to assumptions at 31 December 2018
10	Others	-200	
11	Capital injection and shareholder dividend payment	-628	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 2018	21,763	EV as at 2018 year end
13	EV of other business of the Group as at 31 December 2017	60,372	
14	Profit from other business in the year of 2018	2,732	
15	Impact of market value adjustments and other adjustments	676	Changes from asset market value adjustments and other adjustments
16	Others	2,603	
17	Capital injection and shareholder dividend payment	-1,411	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 2018	64,972	
19	EV of the Group as at 31 December 2018	86,735	

Note: Figures may not add up due to rounding.

3. Valuation Assumptions

The assumptions used in embedded value and value of one year's new business calculation as at the valuation date have been made under a "going concern" basis, assuming continuation of the economic and regulatory environment currently prevailing in China. The calculation followed EV standards. Various operating actuarial assumptions were set mainly based on internal experience analysis results, and with reference to the experience in China insurance market and the outlook of future tendency of the experience assumptions. Therefore, this represents the best estimate of future valuation assumptions based on the available information as at the valuation date.

The assumptions applied in the valuation of EV and 1-year VNB of China Re Group as at 31 December 2018 are summarised as below.

Risk Discount Rate

This report illustrates EV and 1-year VNB results by using risk discount rate of 10.5%.

Investment Return Rates

The following table summarises the assumptions of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2018:

	2019	**2020**	**2021**	**2022–2028**	**2029+**
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 circumstance of current China 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.

Policyholder Dividend

Policyholder dividend has been derived in accordance with the dividend policy stipulated in the reinsurance contracts. The surplus of the participating business is the sum of interest surplus and mortality surplus, and 70% of the surplus is assumed to be distributed to policyholders. Moreover, interest surplus is determined either based on the dividend policies stipulated in the reinsurance contracts or the Group's assumptions for investment return rates.

Mortality and Morbidity Rates

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.

Short-term Reinsurance Business

Short-term reinsurance business refers to the reinsurance business for short-term primary insurance with the policy term of one year or less, and the primary insurance business, upon renewal, will continue to be ceded to China Re Life. 1-year VNB for short-term reinsurance business is based on the estimated new business premium within one year.

Claim Ratio

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

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 assumptions vary by product categories and premium payment types.

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 contract basis.

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 Tests

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 2018. 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:

Unit: in RMB millions

Scenarios	**Value of in-force business after Cost of Capital**	**Value of one year's new business after Cost of Capital**
Base scenario	5,402	1,341
Risk discount rate increased by 100 basis points	4,801	1,153
Risk discount rate decreased by 100 basis points	6,097	1,561
Annual investment return rates increased by 50 basis points	6,543	1,651
Annual investment return rates decreased by 50 basis points	4,257	1,029
Mortality and morbidity rates increased by 10%	5,346	1,339
Mortality and morbidity rates decreased by 10%	5,460	1,342
Discontinuance rates increased by 10%	5,220	1,296
Discontinuance rates decreased by 10%	5,591	1,387
Management expenses increased by 10%	5,315	1,288
Management expenses decreased by 10%	5,490	1,393
Combined ratio of short-term reinsurance contracts increased by 1% on absolute basis	5,121	1,180
Combined ratio of short-term reinsurance contracts decreased by 1% on absolute basis	5,678	1,496

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as its own code regarding Directors' and Supervisors' securities transactions for the Reporting Period. The Company has made enquiries to all Directors and Supervisors, and all Directors and Supervisors have confirmed that they have been in compliance with the standards stipulated in the Model Code for Securities Transactions during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2018 of RMB0.031 per share (tax inclusive), totaling approximately RMB1,317 million (the "**2018 Final Dividend**"). The 2018 Final Dividend is subject to the approval of shareholders of the Company at the 2018 annual general meeting, and is expected to be paid on Tuesday, 20 August 2019 to the shareholders of the Company 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 for the last five business days up to and including the date of the 2018 annual general meeting published by China Foreign Exchange Trading 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 solvency adequacy ratio than the regulatory requirements.

Notice of the 2018 annual general meeting will announce the date of the 2018 annual general meeting of the Company and details of relevant book closure, as well as the arrangement of book closure for the final dividend.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements for the year ended 31 December 2018 of the Group were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers. The audit committee of the Company has also reviewed the audited annual results of the Company for the year ended 31 December 2018. The figures in respect of the Group's results for the year ended 31 December 2018 as set out in this annual results announcement have been agreed by the auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders and will be published on the website of the Company (www.chinare.com.cn) and HKEXnews website of the Hong Kong Stock Exchange (www. hkexnews.hk) in due course.

DEFINITIONS

"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
"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 HIIH, CIC and HAH
"China" or "PRC"	the People's Republic of China and, for the purpose of this results announcement and for geographical reference only and except where the context requires, references in this results announcement to "China" or the "PRC" do not include Hong Kong, Macau and Taiwan
"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. Prior to the approval from the CBIRC for its change of registered capital on 25 June 2018, the Company holds 93.18% of its shares, after the aforesaid approval, the Company holds 64.30% of its shares
"China Re AMC"	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
"China Re Life"	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003

"China Re P&C"	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
"China Re Syndicate 2088"	the syndicate established at Lloyd's in December 2011 by the Company through China Re UK
"China Re UK"	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
"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
"Director(s)"	the director(s) of the Company
"Group", "China Re Group" or "we"	our Company and its subsidiaries (except where the context requires otherwise)
"HAH"	Hanover Australia HoldCo Pty Ltd, a company registered in Australia
"HIIH"	The Hanover Insurance International Holdings Limited, a company registered in England and Wales, which was renamed to China Re International Holdings Limited on 6 March 2019
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Lloyd's"	the Society of Lloyd's, a global leading specialised P&C and liability insurance market
"Ministry of Finance"	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 Companies set out in Appendix 10 of the Hong Kong Listing Rules
"Prospectus"	the prospectus of the Company dated 13 October 2015
"Reporting Period"	since 1 January 2018 until 31 December 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Supervisor(s)"	the supervisor(s) of the Company

On behalf of the Board
China Reinsurance (Group) Corporation
Zhu Xiaoyun
Joint Company Secretary

Beijing, the PRC, 28 March 2019

As at the date of this announcement, the executive Directors are Mr. Yuan Linjiang, Mr. He Chunlei and Mr. Ren Xiaobing, the non-executive Directors are Ms. Lu Xiuli and Mr. Shen Shuhai, and the independent non-executive Directors are Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.