

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 THE UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The Board of Directors of China Reinsurance (Group) Corporation hereby announces the unaudited interim results of the Group for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

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

<i>(in RMB thousands)</i>	<i>Note</i>	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
Total income		80,039,069	61,939,135
Claims and policyholders' benefits	6	(55,914,408)	(41,965,707)
— Claims incurred		(25,973,382)	(19,787,336)
— Life and health reinsurance death and other benefits paid		(17,716,183)	(3,302,024)
— Changes in long-term life and health reinsurance contract liabilities		(12,224,843)	(18,876,347)
Handling charges and commissions		(11,136,890)	(11,270,364)
Finance costs		(613,306)	(578,089)
Other operating and administrative expenses		(9,338,892)	(5,791,358)
Total benefits, claims and expenses		(77,003,496)	(59,605,518)
Share of profits of associates		1,157,975	870,846
Profit before tax	7	4,193,548	3,204,463
Income tax	8	(577,480)	(836,553)
Profit for the period		3,616,068	2,367,910
Attributable to:			
Equity shareholders of the parent		3,319,727	2,330,540
Non-controlling interests		296,341	37,370
Profit for the period		3,616,068	2,367,910
Earnings per share (in RMB)	10		
— Basic		0.08	0.05
— Diluted		0.08	0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(in RMB thousands)

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

(in RMB thousands)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Corporate information

The predecessor of China Reinsurance (Group) Corporation (the “**Company**”), PICC Reinsurance Company Limited, was originated from The People’s Insurance Company of China, which was established in October 1949. On 23 March 1999, pursuant to the approval of the State Council of the PRC and the former China Insurance Regulatory Commission (the “**former CIRC**”), PICC Reinsurance Company Limited was renamed to China Reinsurance Company. On 20 June 2003, with the approval of the former CIRC, China Reinsurance Company was renamed to China Reinsurance (Group) Company. On 9 October 2007, pursuant to the approval from relevant authorities, China Reinsurance (Group) Company was converted into a joint stock limited company and changed the company name to China Reinsurance (Group) Corporation.

The Company completed its initial public offering of overseas-listed foreign shares (“**H shares**”) and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015.

The Company’s registered office is located at No. 11 Jinrong Avenue, Xicheng District, Beijing 100033, the PRC.

The Company and its subsidiaries (the “**Group**”) are mainly engaged in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses.

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

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

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

(2) Significant accounting policies

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

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

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

(3) Changes in accounting policies

(a) Impact of adoption of IFRS 16

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

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

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

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

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

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

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

3 Segment information

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

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

- The property and casualty reinsurance segment, includes a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("**China Re P&C**"), China Re UK Limited ("**China Re UK**"), etc., and also includes the business operated by Chaucer. Chaucer mainly includes CRIH (China Re International Holdings Limited, the former "The Hanover Insurance International Holdings Limited"), CIC (Chaucer Insurance Company Designated Activity Company) and CRAH (China Re Australia HoldCo Pty Ltd, the former "Hanover Australia HoldCo Pty Ltd").
- The life and health reinsurance segment, operated by the Company and the subsidiary of the Company China Life Reinsurance Company Ltd. ("**China Re Life**"), offers a wide range of reinsurance products, such as life, health and accident insurance, etc.
- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("**China Continent Insurance**"), offers a wide variety of insurance products to both personal and corporate customers including motor, property and liability insurance, etc.
- The asset management segment, operated by the subsidiary of the Company, China Re Asset Management Company Ltd. ("**China Re AMC**"), offers asset management services and manages assets and liabilities related to notes issued in overseas.
- Other segments primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

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

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

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

(in RMB thousands)

For the six months ended 30 June 2019 (Unaudited)

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

(in RMB thousands)

For the six months ended 30 June 2018 (Unaudited)

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

(in RMB thousands)

30 June 2019 (Unaudited)

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

(in RMB thousands)

31 December 2018 (Audited)

	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)

4 Gross and net written premiums

(a) Gross written premiums

(in RMB thousands)

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

(b) Premiums ceded to reinsurers and retrocessionaires

(in RMB thousands)

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

(c) Net written premiums

(in RMB thousands)

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

5 Investment income

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

(a) Interest and dividend

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

(b) Realised (losses)/gains

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

(c) Unrealised gains/(losses)

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

(d) Impairment losses

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Equity securities		
— Available-for-sale financial assets	(151,219)	(300,973)
Total	(151,219)	(300,973)

6 Claims and policyholders' benefits

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

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

7 Profit before tax

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

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

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

8 Income tax

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

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

9 Dividends

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

10 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and the six months ended 30 June 2018.

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

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

11 Premiums receivable

<i>(in RMB thousands)</i>	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Premiums receivable	13,280,515
Less: impairment provision	(315,815)	(211,094)
Premiums receivable, net	<u>12,964,700</u>	<u>11,055,676</u>

(a) Aging analysis

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

(b) Impairment provision of premiums receivable

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

12 Reinsurance debtors

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

(a) Aging analysis

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

(b) Impairment provision of reinsurance debtors

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

13 Investments in associates

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

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

14 Share capital

<i>(in thousands)</i>	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Issued and fully paid ordinary shares of RMB 1 each		
— Domestic shares	35,800,391	35,800,391
— H shares	6,679,417	6,679,417
	<hr/>	<hr/>
Total	42,479,808	42,479,808
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

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

Key Operating Data

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

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

Notes: 1. Gross written premiums of each business segment do not consider inter-segment eliminations, in which:

the businesses of P&C reinsurance segment mainly include domestic P&C reinsurance business, overseas P&C reinsurance business and Chaucer business, CNIP business and legacy P&C reinsurance business;

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

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

2. Total investment income = Investment income + share of profits of associates - interest expenses on securities sold under agreements to repurchase.
3. Annualised total investment yield = Total investment income ÷ average of investment assets as at the beginning and end of the period x 2.
4. Net investment income = Interest + dividends + share of profits of associates.
5. Annualised net investment yield = Net investment income ÷ average of investment assets as at the beginning and end of the period x 2.

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

Our business structure continued optimising, with year-on-year growth of 23.1% for domestic non-motor insurance business of P&C reinsurance, representing an increase of 4.1 percentage points in the proportion of domestic P&C reinsurance business; year-on-year growth of 64.7% for domestic facultative reinsurance business of P&C reinsurance, representing an increase of 2.2 percentage points in the proportion of domestic P&C reinsurance business; year-on-year growth of 237.5% for overseas P&C reinsurance and Chaucer business, representing an increase of 20.2 percentage points in the proportion of P&C reinsurance business; year-on-year growth of 48.6% for domestic protection-type business of life and health reinsurance, representing an increase of 3.4 percentage points in the proportion of domestic life and health reinsurance business; year-on-year growth of 35.4% for non-motor primary P&C insurance, representing an increase of 7.7 percentage points in the proportion of primary P&C insurance business.

Our core reinsurance business maintained its solid market position and we continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.60% in primary P&C insurance business, ranking No. 6 in all primary P&C insurance companies in the domestic market. During the Reporting Period, we maintained Financial Strength Rating of “A (Excellent)” by A.M. Best and was rated “A” by S&P Global Ratings, with our financial condition remaining stable.

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

Key Financial Indicators

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

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

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

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

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

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

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

P&C Reinsurance Business

The businesses of P&C reinsurance segment mainly include domestic P&C reinsurance business, overseas P&C reinsurance business and Chaucer business, CNIP business and legacy P&C reinsurance business.

In the first half of 2019, we made efforts to strengthen our position as a leading domestic reinsurer. We continued to facilitate the establishment of platforms for domestic commercial insurance business and national policy-oriented business, strengthen the innovation-driven model and technological application, and accelerate the implementation of strategic initiatives. We continued to upgrade our customer service system, consistently strengthened the capability of our underwriting team, and enhanced our technical capabilities. We also achieved breakthrough in emerging business sectors such as construction inherent defects insurance (IDI), catastrophe insurance, construction surety bond insurance and customs bond insurance.

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

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

Business Analysis

Domestic P&C Reinsurance Business

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

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance respectively, which was generally in line with the business distribution of the domestic P&C reinsurance market. Meanwhile, as a result of our active development, the facultative reinsurance premium income amounted to RMB1,097 million, representing a year-on-year increase of 64.7%, and an increase of 2.2 percentage points in the proportion of domestic P&C reinsurance business. In terms of business channels, by virtue of our good cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis.

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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	13,817	92.6	12,237	94.8
Facultative reinsurance	1,097	7.4	666	5.2
Total	14,914	100.0	12,903	100.0

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

Unit: in RMB millions, except for percentages

Form of cession	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	14,672	98.4	12,654	98.1
Non-proportional reinsurance	242	1.6	249	1.9
Total	14,914	100.0	12,903	100.0

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

Unit: in RMB millions, except for percentages

Business channel	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Direct	14,027	94.1	12,126	94.0
Via broker	887	5.9	777	6.0
Total	14,914	100.0	12,903	100.0

Lines of business

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

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

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

Client and client services

In the first half of 2019, we continued to maintain good client relationships. We have maintained stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. As at the end of the Reporting Period, we maintained business relationships with 83 domestic P&C insurance companies, covering 94.3% of P&C insurance companies in the PRC. In the first half of 2019, we were the lead reinsurer for 32% of our reinsurance contracts.

Overseas P&C Reinsurance and Chaucer Business

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

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

Overseas P&C reinsurance business

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

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

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

Unit: in RMB millions, except for percentages

Type of business	For the six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,592	89.1	2,338	93.3
Direct insurance	233	8.0	158	6.3
Facultative reinsurance	84	2.9	11	0.4
Total	2,909	100.0	2,507	100.0

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

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

Unit: in RMB millions, except for percentages

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

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

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

Unit: in RMB millions, except for percentages

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

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

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

In terms of our service ability, our quotation ability continued to improve, and our service quality has become better recognised by the clients. Leveraging our talents and technology advantages, as well as years of experience in international business operations, we were able to better serve domestic clients in the PRC through the provision of more products and international cooperation plans for reinsurance business, exert the synergy advantages of domestic and overseas business especially in response to the Belt and Road Initiative and protecting the overseas interests of domestic clients.

Chaucer Business

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

Note: 1. Others refer to treaty reinsurance business of the global scale, including property insurance treaty, special insurance treaty, liability insurance treaty, etc.

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

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

CNIP Business

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June 2019

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

Gross Written Premiums

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

Premiums Ceded to Reinsurers and Retrocessionaires

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

Investment Income

Investment income for our P&C reinsurance segment increased by 9.6% from RMB1,102 million in the first half of 2018 to RMB1,208 million in the first half of 2019. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits of Associates

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

Net Profit

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

Life and Health Reinsurance Business

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

In the first half of 2019, under the overall trend of the insurance industry refocusing on the protection function, we actively grasped the market opportunities and rapidly developed the protection-type reinsurance business; strictly controlled the cost of business and steadily developed the savings-type reinsurance business; followed the market trend and picked opportunities to develop the financial reinsurance business. We strengthened the technology empowerment, promoting the integration of health insurance products and health services with “Product+” and “Data+” modes; adhered to being customer-oriented and improved customer service level through customised solutions; strengthened the strategic cooperation, which promoted business growth effectively. 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 the first half of 2019, reinsurance premium income from our life and health reinsurance segment amounted to RMB38,427 million, representing a year-on-year increase of 27.4%, accounting for 44.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB837 million, and annualised weighted average return on equity reached 7.81%. In particular, reinsurance premium income from China Re Life amounted to RMB38,369 million, representing a year-on-year increase of 27.4%; total written premiums (“TWPs”) amounted to RMB43,311 million (including TWPs of RMB4,942 million for savings-type non-insurance business), representing a year-on-year increase of 42.8%.

Given the business significance and operational independence of China Re Life and that the reinsurance premium income from China Re Life accounted for more than 99.5% of the 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 remained stable.

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

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

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

For the six months ended 30 June

Non-insurance business	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic savings-type non-insurance	4,938	99.9	196	88.3
Overseas savings-type non-insurance	4	0.1	26	11.7
Total	<u>4,942</u>	<u>100.0</u>	<u>222</u>	<u>100.0</u>

Domestic Life and Health Reinsurance Business

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

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

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

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

Overseas Life and Health Reinsurance Business

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

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

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

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

For the six months ended 30 June

Type of reinsurance arrangement	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	38,145	99.4	29,943	99.4
Facultative reinsurance	224	0.6	174	0.6
Total	38,369	100.0	30,117	100.0

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Form of cession	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	38,332	99.9	30,085	99.9
Non-proportional reinsurance	37	0.1	32	0.1
Total	38,369	100.0	30,117	100.0

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

For the six months ended 30 June

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

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

Gross Written Premiums

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

Premiums Ceded to Retrocessionaires

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

Investment Income

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

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits of Associates

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

Net Profit

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

Primary P&C Insurance Business

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

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

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

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

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 six months ended 30 June			
	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	13,923	57.6	14,245	65.3
Accident and short-term health	3,775	15.6	2,368	10.9
Surety	2,826	11.7	2,192	10.1
Liability	1,142	4.7	900	4.1
Commercial property	725	3.0	636	2.9
Cargo	529	2.2	378	1.7
Others ¹	1,243	5.2	1,089	5.0
Total	24,163	100.0	21,808	100.0

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

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

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

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

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

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

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

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

For the six months ended 30 June

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

Analysis by Region

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

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

Combined Ratio

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

	For the six months ended 30 June	
	2019	2018
Loss ratio (%)	54.19	56.36
Expense ratio (%) ¹	45.67	43.61
Combined ratio (%)	99.86	99.97

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

Financial Analysis

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

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

Gross Written Premiums

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

Premiums Ceded to Reinsurers

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

Reinsurance Commission Income

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

Investment Income

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

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Net Profit

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

Asset Management Business

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

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

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

	As at 30 June 2019		As at 31 December 2018 ⁵	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment assets				
Cash and short-term time deposits	20,147	8.2	13,231	5.8
Fixed-income investments	166,340	67.5	166,002	72.5
Time deposits	1,693	0.7	4,409	1.9
Bonds	103,664	42.1	99,898	43.7
Government bonds	8,098	3.3	6,441	2.8
Financial bonds	15,287	6.2	13,878	6.1
Enterprise (corporate) bonds	70,736	28.7	70,368	30.8
Subordinated bonds	9,543	3.9	9,211	4.0
Investments classified as loans and receivables	40,441	16.4	41,065	17.9
Other fixed-income Investments ¹	20,542	8.3	20,630	9.0
Equity and investment funds	45,557	18.4	37,199	16.3
Investment funds ²	21,870	8.9	17,740	7.8
Stocks	16,054	6.4	11,575	5.1
Embedded derivatives	162	0.1	226	0.1
Unlisted equity shares ³	7,471	3.0	7,658	3.3
Other investment	29,595	12.0	26,416	11.6
Investments in associates	21,523	8.7	21,186	9.3
Others ⁴	8,072	3.3	5,230	2.3
Less: securities sold under agreements to repurchase	(15,145)	(6.1)	(14,194)	(6.2)
Total investment assets	246,494	100.0	228,654	100.0

- Notes:
- Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans, etc.
 - Including monetary funds and the senior tranche of structured index funds.
 - Including assets management products, unlisted equity investments and equity investment schemes.
 - Including investment properties, derivative financial instruments, etc.
 - In order to ensure the comparability of data, the data in this column is not same as the data disclosed in China Reinsurance (Group) Corporation 2018 Annual Report, mainly due to the addition of investment assets from Chaucer.

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

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

On 23 June 2016, China Re P&C, China Re Life and China Continent Insurance entered into a trust contract respectively with China Re AMC, to subscribe for the real estate debt investment scheme of Bairong World Trade Center with a term of 11 years. The subscription amount by China Re P&C, China Re Life and China Continent Insurance was RMB8,000 million in total. A principal of RMB1,500 million in total for such scheme was repaid to the investors on 27 June 2017, 27 June 2018 and 27 June 2019, respectively. During the Reporting Period, the underlying assets of such scheme, Towers A, B and C of Bairong World Trade Center, were under normal rental operation, and the repayment entity maintained a normal financial condition.

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

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

On 15 December 2018, China Continent Insurance (the buyer) entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd. (the vendor), and agreed to acquire a property from the vendor at a consideration of approximately RMB3,085 million, payable in cash. The target of the acquisition is Building No. 1 (located at No. 6 Lane 38, Yuanshen Road) of the Shanghai Fuyuan Landmark Plaza Project located at the land plot Nos. 04-4 of Huangpu Riverbank Unit E10, Pudong New District, Shanghai, the PRC. The property is an investment property for commercial use and is a impermanent self-owned property of the Group. As at the end of the Reporting Period, 70% of the transaction price of the project has been paid, amounted to RMB2,160 million in total. The main structure and outdoor glass curtain walls of the property were completed, while interior decoration works have entered the final stage. Outdoor pipeline works and various inspection works will be conducted subsequently.

Investment Performance

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

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

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

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

Insurance Intermediary Business

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

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

Solvency

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

	<i>Unit: in RMB millions, except for percentages</i>		
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>Change (%)</u>
China Re Group			
Core capital	82,354	66,377	24.1
Available capital	91,349	75,373	21.2
Minimum capital	42,323	40,946	3.4
Core solvency adequacy ratio (%)	195	162	Increase of 33 percentage points
Aggregated solvency adequacy ratio (%)	216	184	Increase of 32 percentage points
Group Company			
Core capital	67,198	56,761	18.4
Available capital	67,198	56,761	18.4
Minimum capital	11,336	13,639	-16.9
Core solvency adequacy ratio (%)	593	416	Increase of 177 percentage points
Aggregated solvency adequacy ratio (%)	593	416	Increase of 177 percentage points
China Re P&C			
Core capital	19,829	18,608	6.6
Available capital	23,828	22,607	5.4
Minimum capital	11,171	10,429	7.1
Core solvency adequacy ratio (%)	178	178	—
Aggregated solvency adequacy ratio (%)	213	217	Decrease of 4 percentage points
China Re Life			
Core capital	23,946	17,021	40.7
Available capital	28,942	22,018	31.4
Minimum capital	13,058	10,278	27.0
Core solvency adequacy ratio (%)	183	166	Increase of 17 percentage points
Aggregated solvency adequacy ratio (%)	222	214	Increase of 8 percentage points
China Continent Insurance			
Core capital	24,951	24,392	2.3
Available capital	24,951	24,392	2.3
Minimum capital	6,026	5,626	7.1
Core solvency adequacy ratio (%)	414	434	Decrease of 20 percentage points
Aggregated solvency adequacy ratio (%)	414	434	Decrease of 20 percentage points

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

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

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

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

According to the requirements of The Solvency Regulatory Rules (No. 1–17) for Insurance Companies (《保險公司償付能力監管規則(1–17號)》) issued by the CBIRC, the “Summary of Solvency Reports” for the second quarter of 2019 of the Group Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, 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 second quarter of 2019:

Unit: in RMB millions

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

- Notes: 1. As the consolidated scope is larger than these four companies and affected by offsetting factors when calculating the consolidated net profit of the Group, the consolidated net profit of the Group is not equal to the sum of net profits of these four companies.
2. The data of solvency as at 30 June 2019 of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC, which is not audited or reviewed by the auditors of the Company.

For viewing of the Summary of Solvency Report for the second quarter, shareholders and potential investors can visit the official websites of the Company at <http://www.chinare.com.cn>, China Re P&C at <http://www.cpcr.com.cn>, China Re Life at <http://www.chinalifere.cn> and China Continent Insurance at <http://www.ccic-net.com.cn>, or the website of Insurance Association of China at <http://www.iachina.cn> for enquiries.

Exchange Rate Fluctuation Risk

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments appropriately. As at 30 June 2019, the Group holds a currency swap of RMB267 million (31 December 2018: RMB175 million).

Details of Assets Charged and Borrowings

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

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

As at 30 June 2019, the Group held a long-term borrowing of USD550 million with a coupon rate of 4.70%, which will be repayable within 60 months.

Contingencies

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

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

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

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

Employees

As of 30 June 2019, China Re Group had a total of 60,807 employees. The Group's staff remuneration comprises three components, namely basic salary, performance bonus and benefits and subsidies. We always uphold the guidance of "combining the market practice with the real situation of China Re", follow the distribution concept of "giving priority to the front-line staff, the front office staff, the core backbones and the best-performing staff", and have established a fair, competitive and motivating remuneration system. We provide employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits, playing an important role in attracting, motivating and retaining talents.

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

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

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

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

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

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

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

Prospects

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

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

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

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

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

EMBEDDED VALUE

1. Valuation Results

This section summarises the EV and the value of one year's new business ("1-year VNB") results as at 30 June 2019 and the corresponding results as at prior valuation date.

Unit: in RMB millions

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

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

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

2. Valuation Assumptions

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

3. 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 30 June 2019. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

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

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

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions as its own code in respect of dealings in securities by Directors and Supervisors. The Company has made enquiries to all Directors and Supervisors, and all the Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code for Securities Transactions during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities during the Reporting Period.

INTERIM DIVIDEND

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

REVIEW OF INTERIM RESULTS

The Group's 2019 interim financial information prepared under International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers. The interim results have been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 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
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Central Huijin”	Central Huijin Investment Ltd.
“Chaucer”	The collective name of CRIH, CIC and CRAH
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003, the Company holds 64.3% of its shares
“China Everbright Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC
“China Re AMC”	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
“China Re P&C”	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
“China Re Syndicate 2088”	the syndicate established at Lloyd’s in December 2011 by the Company through China Re UK
“China Re UK”	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
“CIC”	Chaucer Insurance Company Designated Activity Company, a company registered in the Republic of Ireland

“CRAH”	China Re Australia HoldCo Pty Ltd, a company registered in Australia, of which the former name is Hanover Australia HoldCo Pty Ltd (the “HAH”)
“CRIH”	China Re International Holdings Limited, a company registered in England and Wales, of which the former name is The Hanover Insurance International Holdings Limited (the “HIIH”)
“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
“GBP”	pounds sterling, the lawful currency of the United Kingdom
“Great Wall Asset”	China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC
“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“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 2019 until 30 June 2019
“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 August 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, Mr. Wen Ning and Ms. Wang Xiaoya, and the independent non-executive Directors are Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.