中再集团

China Reinsurance (Group) Corporation
中國再保險(集團)股份有限公司
(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code:1508)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors of China Reinsurance (Group) Corporation is pleased to announce the audited consolidated results of the Group for the year ended 31 December 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(in RMB thousands)	*Note*	**2019**	2018
Gross written premiums	*4*	**144,972,748**	122,257,197
Less: Premiums ceded to reinsurers and retrocessionaires	*4*	**(10,149,709)**	(7,862,106)
Net written premiums	*4*	**134,823,039**	114,395,091
Changes in unearned premium reserves	*5*	**(7,080,011)**	(5,122,438)
Net premiums earned		**127,743,028**	109,272,653
Reinsurance commission income		**1,566,556**	1,072,508
Investment income	*6*	**11,316,405**	7,496,534
Exchange losses, net		**(2,150)**	(44,101)
Other income		**2,010,352**	2,126,130
Total income		**142,634,191**	119,923,724

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(in RMB thousands)	*Note*	**31 December 2019**	31 December 2018
Assets			
Cash and short-term time deposits		**20,262,473**	13,230,928
Financial assets at fair value through profit or loss		**11,856,246**	10,725,714
Derivative financial instruments		**411,129**	175,403
Financial assets held under resale agreements		**2,981,215**	2,596,387
Premiums receivable	*12*	**14,755,963**	11,055,676
Reinsurance debtors	*13*	**55,939,565**	49,648,266
Investment contracts receivable		**3,433,251**	2,831,865
Reinsurers' share of insurance contract liabilities		**18,173,603**	14,890,956
Reinsurers' share of policy loans		**503,744**	454,775
Time deposits		**3,907,342**	4,408,928
Available-for-sale financial assets		**117,402,385**	91,979,646
Held-to-maturity investments		**34,593,283**	35,897,556
Investments classified as loans and receivables		**43,726,769**	41,065,284
Statutory deposits		**15,723,184**	16,073,184
Investment properties		**7,891,771**	5,054,425
Property and equipment		**3,007,394**	2,778,951
Right-of-use assets		**1,176,562**	–
Intangible assets		**2,267,111**	2,204,303
Investments in associates	*14*	**24,061,529**	21,185,891
Goodwill		**1,635,695**	1,559,664
Deferred tax assets		**1,314,116**	1,542,887
Other assets		**11,614,058**	11,546,284
Total assets		**396,638,388**	340,906,973

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(in RMB thousands)		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2018		42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817
Impact of change in accounting policy in associates		-	-	-	-	-	-	145,192	-	(332,575)	(187,383)	(34,918)	(222,301)
Restated total equity as at 1 January 2019		42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	299,620	(26,702)	17,921,896	78,093,818	8,937,698	87,031,516
Profit for the year		-	-	-	-	-	-	-	-	6,049,345	6,049,345	595,969	6,645,314
Other comprehensive income		-	-	-	-	-	42,119	4,232,876	34,354	-	4,309,349	399,287	4,708,636
Total comprehensive income		-	-	-	-	-	42,119	4,232,876	34,354	6,049,345	10,358,694	995,256	11,353,950
Appropriations to surplus reserve		-	-	266,505	-	-	-	-	-	(266,505)	-	-	-
Appropriations to general risk reserve		-	-	-	689,196	-	-	-	-	(689,196)	-	-	-
Distributions to shareholders of the parent	*10*	-	-	-	-	-	-	-	-	(1,316,874)	(1,316,874)	-	(1,316,874)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(91,620)	(91,620)
Others		-	654	-	-	-	-	-	-	-	654	363	1,017
As at 31 December 2019		42,479,808	10,725,376	2,288,028	5,380,024	9,968	14,274	4,532,496	7,652	21,698,666	87,136,292	9,841,697	96,977,989

For the year ended 31 December 2018

(in RMB thousands)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2017		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	272,582	(9,797)	17,632,428	74,366,907	1,003,592	75,370,499
Impact of change in accounting policy in associates		–	–	–	–	–	–	44,005	–	(313,181)	(269,176)	–	(269,176)
Restated total equity as at 1 January 2018		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	316,587	(9,797)	17,319,247	74,097,731	1,003,592	75,101,323
Profit for the year		–	–	–	–	–	–	–	–	3,729,891	3,729,891	169,095	3,898,986
Other comprehensive income		–	–	–	–	–	(12,153)	(162,159)	(16,905)	–	(191,217)	(34,575)	(225,792)
Total comprehensive income		–	–	–	–	–	(12,153)	(162,159)	(16,905)	3,729,891	3,538,674	134,520	3,673,194
Appropriations to surplus reserve		–	–	228,428	–	–	–	–	–	(228,428)	–	–	–
Appropriations to general risk reserve		–	–	–	527,208	–	–	–	–	(527,208)	–	–	–
Distributions to shareholders of the parent	*10*	–	–	–	–	–	–	–	–	(2,039,031)	(2,039,031)	–	(2,039,031)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(163,526)	(163,526)
Transaction with non-controlling interests		–	2,704,751	–	–	–	–	–	–	–	2,704,751	7,998,151	10,702,902
Others		–	(20,924)	–	–	–	–	–	–	–	(20,924)	(121)	(21,045)
As at 31 December 2018		42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 CORPORATE INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

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

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

(2) Basis of measurement

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

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

– financial instruments classified as available-for-sale or as financial assets and liabilities at fair value through profit or loss and derivative instrument.

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

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

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

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

Adoption of the above standards and amendments does not have a significant impact on the consolidated financial statements of the Group except for IFRS16. The impact of the adoption of IFRS 16 are disclosed as below.

IFRS 16, Leases

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

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

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

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- for contracts that contain options to extend or terminate the lease, the Group shall consider the actual exercising condition of the lease option before the date of initial application of IFRS 16 and all the other relevant facts, and will not assess the judgement of the determination to exercise the options for the period before the date of initial application of IFRS 16.

On adoption of IFRS 16, on 1 January 2019, the Group recognised lease liabilities of RMB1,076 million, and right-of-use assets of RMB1,198 million, including prepaid or accrued lease payments relating to that lease recognised in the 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.

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

IFRS 9 Financial Instruments

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

Classification and measurement of financial assets and financial liabilities

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 17, Insurance Contracts

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

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

Amendments to IAS 1 and IAS 8, Definition of Material

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

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

Amendments to IFRS 3, Definition of Business

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

Revised for Financial Reporting

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

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

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

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

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

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

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

3 SEGMENT INFORMATION

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

For management purposes, the Group is organised into business units based on their products and services and has the following operating and reportable segments:

- The property and casualty reinsurance segment, operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("**China Re P&C**"), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., and also includes the business operated by China Re UK Limited and Chaucer. Chaucer mainly includes China Re International Holdings Limited ("**CRIH**", the former "**The Hanover Insurance International Holdings Limited**"), CIC (Chaucer Insurance Company Designated Activity Company) and CRAH (China Re Australia HoldCo Pty Ltd, the former "**Hanover Australia HoldCo Pty Ltd**").

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

- The primary property and casualty insurance segment, operated by the subsidiary of the Company China Continent Property and Casualty Insurance Company Ltd. ("**China Continent Insurance**"), offers a wide variety of insurance products 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 and activities primarily consist of the headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

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

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

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

(in RMB thousands)	2019						
	Property and casualty reinsurance	**Life and health reinsurance**	**Primary property and casualty insurance**	**Asset management**	**Others**	**Elimination**	**Total**
Gross written premiums	**42,679,010**	**55,526,191**	**48,730,011**	**–**	**–**	**(1,962,464)**	**144,972,748**
Less: Premiums ceded to reinsurers and retrocessionaires	**(4,134,363)**	**(3,961,136)**	**(4,017,533)**	**–**	**–**	**1,963,323**	**(10,149,709)**
Net written premiums	**38,544,647**	**51,565,055**	**44,712,478**	**–**	**–**	**859**	**134,823,039**
Changes in unearned premium reserves	**(1,581,670)**	**(926,165)**	**(4,569,548)**	**–**	**–**	**(2,628)**	**(7,080,011)**
Net premiums earned	**36,962,977**	**50,638,890**	**40,142,930**	**–**	**–**	**(1,769)**	**127,743,028**
Reinsurance commission income	**359,449**	**568,047**	**1,431,367**	**–**	**–**	**(792,307)**	**1,566,556**
Investment income	**2,644,890**	**4,616,969**	**2,159,999**	**1,192,527**	**2,196,154**	**(1,494,134)**	**11,316,405**
Exchange (losses)/gains, net	**(76,615)**	**(54,000)**	**27,871**	**54,696**	**22,230**	**23,668**	**(2,150)**
Other income	**171,394**	**417,444**	**953,482**	**566,066**	**479,492**	**(577,526)**	**2,010,352**
Total income	**40,062,095**	**56,187,350**	**44,715,649**	**1,813,289**	**2,697,876**	**(2,842,068)**	**142,634,191**
– External income	**38,326,834**	**56,144,314**	**45,712,512**	**1,343,323**	**1,107,208**	**–**	**142,634,191**
– Inter-segment income	**1,735,261**	**43,036**	**(996,863)**	**469,966**	**1,590,668**	**(2,842,068)**	**–**
Claims and policyholders' benefits	**(22,878,892)**	**(49,801,284)**	**(22,702,866)**	**–**	**–**	**2,807**	**(95,380,235)**
– Claims incurred	**(22,878,892)**	**(10,156,217)**	**(22,702,866)**	**–**	**–**	**2,807**	**(55,735,168)**
– Life and health reinsurance death and other benefits paid	**–**	**(32,639,256)**	**–**	**–**	**–**	**–**	**(32,639,256)**
– Changes in long-term life and health reinsurance contract liabilities	**–**	**(7,005,811)**	**–**	**–**	**–**	**–**	**(7,005,811)**
Handling charges and commissions	**(13,446,665)**	**(2,329,432)**	**(5,834,191)**	**–**	**–**	**794,590**	**(20,815,698)**
Finance costs	**(569,098)**	**(375,692)**	**(189,488)**	**(377,411)**	**(27,847)**	**–**	**(1,539,536)**
Other operating and administrative expenses	**(1,963,526)**	**(1,732,909)**	**(14,078,637)**	**(474,405)**	**(1,299,032)**	**577,343**	**(18,971,166)**
Total benefits, claims and expenses	**(38,858,181)**	**(54,239,317)**	**(42,805,182)**	**(851,816)**	**(1,326,879)**	**1,374,740**	**(136,706,635)**
Share of profits of associates	**242,171**	**1,129,191**	**163,046**	**4,696**	**865,205**	**(264,192)**	**2,140,117**
Profit before tax	**1,446,085**	**3,077,224**	**2,073,513**	**966,169**	**2,236,202**	**(1,731,520)**	**8,067,673**
Income tax	**(129,013)**	**(652,057)**	**(392,032)**	**(77,326)**	**(171,931)**	**–**	**(1,422,359)**
Profit for the year	**1,317,072**	**2,425,167**	**1,681,481**	**888,843**	**2,064,271**	**(1,731,520)**	**6,645,314**

(in RMB thousands)	2018						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	28,947,298	52,453,713	42,622,388	–	–	(1,766,202)	122,257,197
Less: Premiums ceded to reinsurers and retrocessionaires	(962,492)	(5,154,646)	(3,509,619)	–	–	1,764,651	(7,862,106)
Net written premiums	27,984,806	47,299,067	39,112,769	–	–	(1,551)	114,395,091
Changes in unearned premium reserves	(803,330)	(1,531,273)	(2,788,044)	–	–	209	(5,122,438)
Net premiums earned	27,181,476	45,767,794	36,324,725	–	–	(1,342)	109,272,653
Reinsurance commission income	98,480	452,734	1,266,434	–	–	(745,140)	1,072,508
Investment income	1,747,144	3,365,438	1,708,449	232,949	1,819,706	(1,377,152)	7,496,534
Exchange (losses)/gains, net	(159,393)	(58,267)	81,952	(19,370)	112,435	(1,458)	(44,101)
Other income	41,625	1,440,486	231,343	424,000	295,475	(306,799)	2,126,130
Total income	28,909,332	50,968,185	39,612,903	637,579	2,227,616	(2,431,891)	119,923,724
– External income	27,286,742	50,934,465	40,521,994	324,283	856,240	–	119,923,724
– Inter-segment income	1,622,590	33,720	(909,091)	313,296	1,371,376	(2,431,891)	–
Claims and policyholders' benefits	(15,528,880)	(45,854,355)	(20,189,121)	–	–	(5,769)	(81,578,125)
– Claims incurred	(15,528,880)	(6,125,051)	(20,189,121)	–	–	(5,769)	(41,848,821)
– Life and health reinsurance death and other benefits paid	–	(11,004,304)	–	–	–	–	(11,004,304)
– Changes in long-term life and health reinsurance contract liabilities	–	(28,725,000)	–	–	–	–	(28,725,000)
Handling charges and commissions	(11,059,346)	(2,240,663)	(6,782,851)	–	–	750,688	(19,332,172)
Finance costs	(274,208)	(315,167)	(150,095)	(366,454)	(21,858)	–	(1,127,782)
Other operating and administrative expenses	(718,995)	(1,574,936)	(11,190,126)	(360,333)	(1,078,839)	420,976	(14,502,253)
Total benefits, claims and expenses	(27,581,429)	(49,985,121)	(38,312,193)	(726,787)	(1,100,697)	1,165,895	(116,540,332)
Share of profits of associates	51,631	919,068	8,355	275	680,467	41,614	1,701,410
Profit before tax	1,379,534	1,902,132	1,309,065	(88,933)	1,807,386	(1,224,382)	5,084,802
Income tax	(174,975)	(368,670)	(400,868)	(33,592)	(207,711)	–	(1,185,816)
Profit for the year	1,204,559	1,533,462	908,197	(122,525)	1,599,675	(1,224,382)	3,898,986

(in RMB thousands)	2019						
	Property and casualty reinsurance	**Life and health reinsurance**	**Primary property and casualty insurance**	**Asset management**	**Others**	**Elimination**	**Total**
Segment assets	**108,933,054**	**170,871,692**	**79,894,268**	**14,207,029**	**60,259,916**	**(37,527,571)**	**396,638,388**
Segment liabilities	**(85,516,224)**	**(147,085,869)**	**(52,678,481)**	**(11,043,884)**	**(8,280,547)**	**4,944,606**	**(299,660,399)**
Other segment information							
Capital expenditures	**(91,313)**	**(110,614)**	**(3,641,811)**	**(10,603)**	**(50,000)**	**–**	**(3,904,341)**
Depreciation and amortisation	**(265,020)**	**(113,008)**	**(674,337)**	**(20,059)**	**(92,630)**	**–**	**(1,165,054)**
Interest income	**2,343,276**	**3,811,423**	**1,766,186**	**124,642**	**662,166**	**(14,588)**	**8,693,105**
Financial assets impairment loss charges	**(98,045)**	**(386,273)**	**(33,413)**	**–**	**(72,829)**	**–**	**(590,560)**
Other impairment loss charges/(reversals)	**(3,516)**	**–**	**(135,037)**	**–**	**(1,523)**	**–**	**(140,076)**

	2018						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	99,089,336	143,520,460	65,338,584	12,780,380	56,438,871	(36,260,658)	340,906,973
Segment liabilities	(77,315,725)	(122,027,800)	(40,124,017)	(10,919,571)	(7,375,419)	4,109,376	(253,653,156)
Other segment information							
Capital expenditures	(694,867)	(1,755,777)	(450,489)	(9,456)	(66,607)	–	(2,977,196)
Depreciation and amortisation	(8,292)	(21,733)	(250,782)	(11,604)	(50,134)	–	(342,545)
Interest income	1,966,763	3,369,378	1,677,099	92,069	630,889	(13,958)	7,722,240
Financial assets impairment loss charges	(203,086)	(301,432)	(21,970)	–	(171,507)	–	(697,995)
Other impairment loss charges/(reversals)	4,256	–	(82,197)	–	(2,117)	–	(80,058)

4 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

(in RMB thousands)	**2019**	2018
Long-term life and health reinsurance	**38,306,202**	39,790,118
Short-term life and health reinsurance	**17,183,861**	12,620,441
Property and casualty reinsurance	**36,454,640**	27,106,861
Primary property and casualty insurance	**53,028,045**	42,739,777
Total	**144,972,748**	122,257,197

(b) Premiums ceded to reinsurers and retrocessionaires

(in RMB thousands)	**2019**	2018
Long-term life and health reinsurance	**–**	1,860,199
Short-term life and health reinsurance	**3,961,136**	3,294,447
Property and casualty reinsurance	**2,779,192**	915,382
Primary property and casualty insurance	**3,409,381**	1,792,078
Total	**10,149,709**	7,862,106

(c) Net written premiums

(in RMB thousands)	**2019**	2018
Net written premiums	**134,823,039**	114,395,091

5 CHANGES IN UNEARNED PREMIUM RESERVES

(in RMB thousands)	**2019**	2018
Short-term life and health reinsurance	**926,165**	1,530,733
Property and casualty reinsurance	**1,841,622**	898,254
Primary property and casualty insurance	**4,312,224**	2,693,451
Total	**7,080,011**	5,122,438

6 INVESTMENT INCOME

(in RMB thousands)	**2019**	2018
Interest, dividend and rental income (a)	**10,175,904**	8,702,084
Realised gains/(losses) (b)	**441,121**	(564,667)
Unrealised gains/(losses) (c)	**868,919**	(156,511)
Negative goodwill arising from investments in associates	**421,021**	213,623
Impairment losses on financial assets (d)	**(590,560)**	(697,995)
Total	**11,316,405**	7,496,534

(a) Interest, dividend and rental income

(in RMB thousands)	**2019**	2018
Interest income		
Current and time deposits	**1,245,518**	1,052,323
Fixed maturity investment		
– Held-to-maturity investment	**1,830,443**	1,826,338
– Available-for-sale financial assets	**2,883,186**	2,456,078
– Financial assets at fair value through profit or loss	**84,286**	61,482
– Investments classified as loans and receivables	**2,578,619**	2,267,532
Financial assets held under resale agreements	**63,516**	49,486
Reinsurers' share of policy loans	**7,537**	9,001
Subtotal	**8,693,105**	7,722,240
Dividend income		
– Available-for-sale financial assets	**1,133,965**	881,876
– Financial assets at fair value through profit or loss	**208,127**	97,968
Subtotal	**1,342,092**	979,844
Rental income from investment properties	**140,707**	–
Total	**10,175,904**	8,702,084

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

(in RMB thousands)	**2019**	2018
Dividend income		
Listed securities	**427,579**	188,207
Unlisted securities	**914,513**	791,637
Total	**1,342,092**	979,844

(b) Realised gains/(losses)

(in RMB thousands)	**2019**	2018
Fixed maturity investment		
– Available-for-sale financial assets	**96,264**	51,727
– Financial assets at fair value through profit or loss	**15,820**	(13,618)
Equity securities		
– Available-for-sale financial assets	**165,370**	(426,462)
– Financial assets at fair value through profit or loss	**163,667**	(176,314)
Total	**441,121**	(564,667)

(c) Unrealised gains/(losses)

(in RMB thousands)	**2019**	2018
Fixed maturity investment		
– Financial assets at fair value through profit or loss	**21,426**	29,685
Equity securities		
– Financial assets at fair value through profit or loss	**710,184**	(198,338)
– Derivative financial instruments	**137,309**	12,142
Total	**868,919**	(156,511)

(d) Impairment losses on financial assets

(in RMB thousands)	**2019**	2018
Fixed maturity investment		
– Investments classified as loans and receivables	**(126,393)**	–
Equity securities		
– Available-for-sale financial assets	**(464,167)**	(697,995)
Total	**(590,560)**	(697,995)

7 CLAIMS AND POLICYHOLDERS' BENEFITS

(in RMB thousands)		**2019**	
	Gross	**Ceded**	**Net**
Claims incurred	**63,903,884**	**(8,168,716)**	**55,735,168**
– Short-term life and health reinsurance	**13,673,939**	**(3,544,244)**	**10,129,695**
– Property and casualty reinsurance	**23,250,000**	**(2,571,160)**	**20,678,840**
– Primary property and casualty insurance	**26,979,945**	**(2,053,312)**	**24,926,633**
Life and health reinsurance death and other benefits paid	**33,108,391**	**(469,135)**	**32,639,256**
Changes in long-term life and health reinsurance contract liabilities	**6,651,623**	**354,188**	**7,005,811**
Total	**103,663,898**	**(8,283,663)**	**95,380,235**

		2018	
(in RMB thousands)	Gross	Ceded	Net
Claims incurred	45,698,705	(3,849,884)	41,848,821
– Short-term life and health reinsurance	9,073,016	(2,957,334)	6,115,682
– Property and casualty reinsurance	14,934,190	(273,306)	14,660,884
– Primary property and casualty insurance	21,691,499	(619,244)	21,072,255
Life and health reinsurance death and other benefits paid	11,932,163	(927,859)	11,004,304
Changes in long-term life and health reinsurance contract liabilities	29,762,961	(1,037,961)	28,725,000
Total	87,393,829	(5,815,704)	81,578,125

8 PROFIT BEFORE TAX

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

(in RMB thousands)	**2019**	2018
Employee costs (including directors' and supervisors' emoluments) (a) (note)	**6,772,308**	5,291,772
Depreciation of property and equipment (note)	**312,248**	256,163
Depreciation of investment properties (note)	**164,200**	3,656
Amortisation of intangible assets (note)	**289,256**	82,726
Depreciation of right-of-use assets (note)	**399,350**	–
Rental expenses (note)	**197,585**	550,870
Auditors' remuneration	**10,238**	9,738
Impairment losses on available-for-sale financial assets	**464,167**	697,995
Impairment losses on investments classified as loans and receivables	**126,393**	–
Impairment losses on premiums receivable	**135,277**	81,649
Impairment losses/(reversal) of reinsurance debtors	**3,516**	(4,256)
Impairment losses on other assets	**1,283**	2,665

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

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

	2019	2018
Salaries, allowances and performance related bonuses	**6,274,124**	4,836,714
Defined contribution plan	**488,803**	449,392
Defined benefit retirement plan	**9,381**	5,666
Total	**6,772,308**	5,291,772

9 INCOME TAX

(in RMB thousands)	**2019**	2018
Current income tax		
Charge for the year	**1,917,047**	1,235,270
Adjustments in respect of prior years	**(68,036)**	4,518
Deferred income tax	**(426,652)**	(53,972)
Total	**1,422,359**	1,185,816

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

(in RMB thousands)	**2019**	2018
Profit before tax	**8,067,673**	5,084,802
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**2,016,918**	1,271,201
The effect of different tax rates of other countries and regions (note)	**(59,771)**	8,268
Tax effect of non-deductible expenses	**85,465**	108,826
Tax effect of non-taxable income	**(564,886)**	(354,276)
Unused tax losses for which no deferred tax asset has been recognised	**25,121**	114,169
Previously unrecognised tax losses used to reduce deferred tax expense	**(45,879)**	–
Adjustments for prior years	**(68,036)**	4,518
Withheld income tax on dividends received from associates	**33,427**	33,110
Income tax	**1,422,359**	1,185,816

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2019 (the year ended 31 December 2018: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10 DIVIDENDS

(in RMB thousands)	**2019**	2018
In respect of previous year:		
2018 final dividend (declared in 2019):		
RMB0.031 per ordinary share	**1,316,874**	–
2017 final dividend (declared in 2018):		
RMB0.048 per ordinary share	**–**	2,039,031

11 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.

(in RMB thousands)	**2019**	2018
Net profit attributable to the equity shareholders of the parent	**6,049,345**	3,729,891
Weighted average number of ordinary shares (in thousands) (a)	**42,479,808**	42,479,808
Basic and diluted earnings per share (in RMB)	**0.14**	0.09

There were no potential diluted ordinary shares in issue during the year ended 31 December 2019 (31 December 2018: Nil), so the diluted earnings per share were the same as the basic earnings per share.

12 PREMIUMS RECEIVABLE

(in RMB thousands)	**31 December 2019**	31 December 2018
Premiums receivable	**15,102,334**	11,266,770
Less: impairment provision	**(346,371)**	(211,094)
Premiums receivable, net	**14,755,963**	11,055,676

(a) Aging analysis

(in RMB thousands)	**31 December 2019**	31 December 2018
Within 3 months (inclusive)	**14,267,296**	10,684,959
3 months to 1 year (inclusive)	**574,926**	388,856
1 to 2 years (inclusive)	**154,953**	105,400
Over 2 years	**105,159**	87,555
Total	**15,102,334**	11,266,770
Less: impairment provision	**(346,371)**	(211,094)
Net	**14,755,963**	11,055,676

(b) Impairment provision of premiums receivable

(in RMB thousands)	**31 December 2019**	31 December 2018
At the beginning of the year	**211,094**	129,477
Charge for the period	**135,277**	81,649
Written off	**–**	(32)
At the end of the year	**346,371**	211,094

13 REINSURANCE DEBTORS

(in RMB thousands)	**31 December 2019**	31 December 2018
Reinsurance debtors	**56,071,043**	49,774,984
Less: impairment provision	**(131,478)**	(126,718)
Reinsurance debtors, net	**55,939,565**	49,648,266

(a) Aging analysis

(in RMB thousands)	**31 December 2019**	31 December 2018
Within 3 months (inclusive)	**49,535,046**	44,867,509
3 months to 1 year (inclusive)	**4,499,732**	2,452,189
1 to 2 years (inclusive)	**1,404,705**	1,242,676
Over 2 years	**631,560**	1,212,610
Total	**56,071,043**	49,774,984
Less: impairment provision	**(131,478)**	(126,718)
Net	**55,939,565**	49,648,266

(b) Impairment provision of reinsurance debtors

(in RMB thousands)	**2019**	2018
At the beginning of the year	**126,718**	118,685
Acquisition of subsidiaries	**–**	9,437
Charge for the year	**6,072**	10,120
Reversal for the year	**(2,556)**	(14,376)
Exchange difference	**1,244**	2,852
At the end of the year	**131,478**	126,718

14 INVESTMENTS IN ASSOCIATES

(in RMB thousands)	**31 December 2019**	31 December 2018
Share of net assets		
– Listed shares	**18,944,197**	15,885,680
– Unlisted shares	**5,117,332**	5,300,211
Total	**24,061,529**	21,185,891

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

Name of associate	**Place of incorporation and business**	**Registered capital *(RMB million)***	**Principal activities**
China Everbright Bank Company Limited ("**CEB**")	China	52,489	Commercial banking

	Proportion of ownership interest		
	Group's effective interest	**Held by the Company**	**Held by a subsidiary**
31 December 2019	4.42%	1.50%	2.92%
31 December 2018	4.42%	1.50%	2.92%

The Group has significant influence over CEB through a group representative being a director of CEB. with the power to participate in the financial and operating policy decisions of CEB. As such, the interest in this associate is accounted for using the equity method. Whereby the investment is initially recognised at cost and adjusted change in the Group's share of CEB's net assets.

As at 31 December 2019, the market value of the Group's investment in CEB was RMB 8,005 million (31 December 2018: RMB 7,192 million).

15 SHARE CAPITAL

(in RMB thousands)	**31 December 2019**	31 December 2018
Issued and fully paid ordinary shares of RMB1 each		
Domestic shares	**35,800,391**	35,800,391
H shares	**6,679,417**	6,679,417
Total	**42,479,808**	42,479,808

The Company completed its initial public offering of overseas-listed foreign shares and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015. In this offering, the Company issued 6,072 million H shares in total (including over-allotment of 302 million H shares) with a nominal value of RMB1.00 per share each and an issuance price of HKD2.70 per share. This public offering had raised a total amount of RMB13,443 million. As at 31 December 2019, a total of RMB7,002 million was recorded in share premiums after deducting the share capital of RMB6,072 million and the stock issuance fee.

Pursuant to the relevant PRC regulations "The interim regulation of the State Council on Transfers of State-owned Shares" (Guo Fa (2001) No.22) and the related regulatory approvals, 607,219,700 domestic shares held by the state-owned shareholders were converted into H shares during the initial public offering of the Company.

On 27 April 2018, the Ministry of Finance, a shareholder of the Company, transferred 10% of its equity interest in the Company (i.e. 540,253,904 domestic shares) to the National Council for Social Security Fund ("NSSF") on a one-off basis (the "Transfer"), and completed the registration of the equity change. After the Transfer, the Ministry of Finance holds 4,862,285,131 domestic shares of the Company, representing 11.45% of the total share capital of the Company; NSSF newly holds 540,253,904 domestic shares of the Company, representing 1.27% of the total share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

On 13 September 2018, the Company entered into an agreement with The Hanover Insurance Group, Inc. to acquire 100% equity interests in Chaucer. Chaucer mainly includes CRIH, CIC and CRAH. The Group completed the closing of the acquisition of CRIH on 28 December 2018[1], the closing of the acquisition of CIC on 14 February 2019[1] and the closing of the acquisition of CRAH on 10 April 2019[1]. Chaucer business covers reinsurance and primary insurance business. The financial statements set out in this annual results announcement include the financial information of each entity of Chaucer after the date of acquisition.

Note: 1. The 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:

Unit: in RMB millions, except for percentages

	For the year ended 31 December		
	2019	2018	Change (%)
Gross written premiums	**144,973**	122,257	18.6
Gross written premiums by business segment:			
P&C reinsurance[1]	**42,679**	28,947	47.4
Life and health reinsurance[1]	**55,526**	52,454	5.9
Primary P&C insurance[1]	**48,730**	42,622	14.3
Total investment income[2]	**12,999**	8,530	52.4
Total investment yield (%)[3]	**5.30**	4.20	Increase of 1.10 percentage points
Net investment income[4]	**12,316**	10,403	18.4
Net investment yield (%)[5]	**5.02**	5.12	Decrease of 0.10 percentage points

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

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

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

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

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

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

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

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

	As at 31 December 2019		As at 31 December 2018	
	Core solvency adequacy ratio (%)	**Aggregated solvency adequacy ratio (%)**	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	**190**	**209**	162	184
Group Company	**561**	**561**	416	416
China Re P&C	**182**	**218**	178	217
China Re Life	**179**	**213**	166	214
China Continent Insurance	**371**	**371**	434	434

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

As our business kept growing rapidly, the Group's gross written premiums recorded an increase of 18.6% from RMB122,257 million in 2018 to RMB144,973 million in 2019, of which the gross written premiums from P&C reinsurance business, life and health reinsurance business and primary P&C insurance business (before inter-segment eliminations) were RMB42,679 million, RMB55,526 million and RMB48,730 million, respectively. The year-on-year rapid growth in gross written premiums was mainly attributable to (1) the rapid development of protection-type business of life and health reinsurance and non-motor primary P&C insurance business and (2) the incorporation of gross written premiums from Chaucer for the first time after the acquisition.

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

Our market position remained solid and we were the seventh largest reinsurance company in the world in terms of the gross written premiums of reinsurance business. We continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.7% in primary P&C insurance business, representing a year-on-year increase of 0.1 percentage points. During the Reporting Period, we maintained Financial Strength Rating of "A (Excellent)" by A.M. Best and were rated "A" by S&P Global Ratings, with our financial condition remaining stable.

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

Key Financial Indicators

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

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

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

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

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

Unit: in RMB millions, unless otherwise stated

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

P&C Reinsurance Business

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

In 2019, we made efforts to strengthen our position as a leading domestic reinsurer. We continued to facilitate the 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 breakthroughs in emerging business sectors such as the first piece (set)/new material comprehensive insurance, construction inherent defects insurance (IDI), short-term health insurance, catastrophe insurance, Chinese interest abroad projects insurance, construction surety bond insurance and customs bond insurance.

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

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

Business Analysis

Domestic P&C Reinsurance Business

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

Lines of business

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

Liability reinsurance. In 2019, the reinsurance premium income from liability insurance amounted to RMB3,367 million, representing a year-on-year increase of 12.4%, mainly due to the fact that we actively captured the market opportunities arising from the rapid growth of primary liability insurance business and increased our commitments to research and development and efforts in promotion of new types of liability reinsurance products.

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

Clients and client services

In 2019, we continued to maintain good client relationships. We have maintained stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. We advanced the operational transformation through customer manager and product innovation by means of focusing on customers' needs, which comprehensively enhanced our business philosophy and business model known as "customer-oriented & innovation-driven reinsurance" in areas such as product innovation, data sharing, risk pricing, technology empowerment and channel building with business preposition and beforehand service. As at the end of the Reporting Period, we maintained business relationships with 83 domestic P&C insurance companies, covering 94.3% of P&C insurance companies and 32% of our reinsurance contracts were entered into as a leading reinsurer. Both our coverage ratio of customers and the number of contracts entered into as a leading reinsurer ranked first in the domestic market.

Overseas P&C Reinsurance and Chaucer Business

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

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

Overseas P&C Reinsurance Business

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

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

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

Unit: in RMB millions, except for percentages

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

In terms of lines of business, our overseas P&C reinsurance business primarily provided coverage for non-marine, specialty and liability reinsurance. Business portfolio consisted mainly of short tail business. We achieved rapid growth in specialty and non-marine reinsurance business, while leveraging on the Lloyd's distribution channel to expand primary liability business in order to achieve better balance and diversification of the overseas business portfolio.

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

Unit: in RMB millions, except for percentages

Line of business	For the year ended 31 December			
	2019		2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Non-marine	**2,350**	**48.4**	1,652	39.8
Specialty	**806**	**16.6**	471	11.3
Liability	**800**	**16.5**	455	11.0
Others[1]	**897**	**18.5**	1,571	37.9
Total	**4,853**	**100.0**	4,149	100.0

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

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

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

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

Chaucer Business

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

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

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

CNIP Business

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

Gross Written Premiums

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

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 329.7% from RMB962 million in 2018 to RMB4,134 million in 2019, mainly due to the incorporation of premiums ceded to reinsurers and retrocessionaires from Chaucer into this segment for the first time after the acquisition of Chaucer, the premiums ceding ratio of which was relatively high because of how Chaucer manages risk appetite.

Investment Income

Investment income for our P&C reinsurance segment increased by 51.4% from RMB1,747 million in 2018 to RMB2,645 million in 2019. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

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

Handling Charges and Commissions

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

Share of Profits of Associates

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

Net Profit

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

Life and Health Reinsurance Business

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

In 2019, China's economy continued to maintain an overall stable and upward trend. Although the economic downward pressure was intensified in the short term, the development of the life insurance industry overall was stable, accompanied by accelerating pace of transformation. We unwaveringly promoted the development of our strategies, namely platform operation, technology advancement and globalisation, and accelerated our international deployment. China Re HK has obtained approval and commenced operation at the end of 2019. To continue the achievements of our overseas business in the past decade, we deeply participated in the Belt and Road Initiative and the construction of Guangdong-Hong Kong-Macau Greater Bay Area, and provided life and health reinsurance solutions to Asia and even global markets with operations in both domestic and overseas markets. We strategically developed the protection-type reinsurance business. In particular, we continued to implement quality control and adjustment for existing business, facilitated iterative development of health insurance products based on "Product+" and "Data+" strategies, and innovated insurance products with integration of the health industry. We also maintained stable development of savings-type reinsurance business by strengthening cost control and asset-liability management. Lastly, we innovated financial reinsurance solutions and achieved stable growth with improved quality. Overall, we have a stable position in the domestic market and the cross-border savings-type reinsurance market in Hong Kong, with around 80% of all of its reinsurance contracts being entered into as a leading reinsurer.

In 2019, reinsurance premium income from our life and health reinsurance segment amounted to RMB55,526 million, representing a year-on-year increase of 5.9%, accounting for 37.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB2,425 million, and weighted average return on equity reached 10.71%. In particular, reinsurance premium income from China Re Life amounted to RMB55,436 million, representing a year-on-year increase of 5.9%; total written premiums ("**TWPs**") amounted to RMB63,498 million (including TWPs of RMB8,062 million for savings-type non-insurance business), representing a year-on-year increase of 11.2%.

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

Business Analysis

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

Domestic Life and Health Reinsurance Business

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

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

Note: 1. i.e., "YRT" reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate.

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

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

Overseas Life and Health Reinsurance Business

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

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

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

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

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

Unit: in RMB millions, except for percentages

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

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

Unit: in RMB millions, except for percentages

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

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

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

Unit: in RMB millions, except for percentages

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

Gross Written Premiums

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

Premiums Ceded to Retrocessionaires

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

Investment Income

Investment income for our life and health reinsurance segment increased by 37.2% from RMB3,365 million in 2018 to RMB4,617 million in 2019. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment increased by 8.6% from RMB45,854 million in 2018 to RMB49,801 million in 2019, mainly due to the growth in business scale.

Handling Charges and Commissions

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

Share of Profits of Associates

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

Net Profit

As a result of the foregoing reasons, net profit for the life and health reinsurance segment increased by 58.2% from RMB1,533 million in 2018 to RMB2,425 million in 2019.

Primary P&C Insurance Business

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

In 2019, we deepened the reform and innovation, fully promoted the implementation of the achievements of our project of turning towards online, digitisation and intelligence, and established a customer-driven comprehensive operation system. We actively dealt with the market-oriented reform of commercial motor insurance rates and enhanced quality of motor insurance business by increasing the coverage ratio of profitable products and controlling the proportion of high-risk businesses. We consistently optimised the business structure, strived to develop non-motor insurance businesses such as personal loan surety insurance, accident and short-term health insurance, liability insurance and cargo insurance, and maintained rapid growth in gross written premiums. We adhered to facilitating development through innovation, and achieved positive results in reducing costs and increasing efficiency through application of innovative technologies. Our core business system "Somersault Cloud" provided strong support for our businesses. Time required for launching new product scheme was shortened from 15 days to 0.5 day, while the time required for connecting to a third-party cooperation platform was shortened from 60 days to 7 days. We applied the AI technologies in return visits, outbound calls, customer service and other aspects, which greatly saved manpower costs. The application of OCR intelligent identification technology increased the efficiency of order entry by 50%, and significantly reduced the operational risk of commercial vehicles through the Internet of Vehicles.

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

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

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

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

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

Motor Insurance. In 2019, primary premium income from our motor insurance amounted to RMB27,990 million, representing a year-on-year increase of 2.7%. We continued to push forward the strategy of "identifying, controlling and introducing", and optimised the Xcar index. By introducing factors such as vehicle factor, people factor, credit factor and driving behaviour factor, we effectively improved our pricing capability. We also improved business quality by controlling the proportion of high-risk businesses such as specialty vehicles and trucks. And we effectively increased the average premiums per motor insurance policy and ensured the quality of motor insurance business by increasing the coverage ratio of profitable products and promoting the third-party liability insurance to be fully insured.

Surety Insurance. In 2019, primary premium income from surety insurance amounted to RMB7,139 million, representing a year-on-year increase of 43.0%. We continued to develop the personal loan surety insurance business, and continuously innovated products, channels, technologies and development models. By 2019, we opened 287 stores/business outlets under the personal loan surety insurance business department covering 179 cities in 30 provinces (including autonomous regions and municipalities), with a bad debt ratio of 7.78%. We mainly cooperated with commercial banks. With good risk management ability and stable development strategy, we have cooperated with various national and local joint stock banks and our risk control was at a good level.

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

Liability Insurance. In 2019, primary premium income from liability insurance amounted to RMB2,089 million, representing a year-on-year increase of 25.5%. We captured the insurance opportunities from the changes in government management functions, actively undertook the business from shift of government functions, innovatively developed the government rescue liability insurance and government poverty prevention and rescue liability insurance, further optimised the deployment of business strategies, and focused on developing the business of construction inherent defects insurance (IDI), achieving relatively rapid growth in liability insurance business.

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

Commercial Property Insurance. In 2019, primary premium income from commercial property insurance amounted to RMB1,167 million, representing a year-on-year increase of 16.6%. We integrated resources within the Group, gave full play to the technical advantages of professionals in various fields, expanded the quantity of key projects, in which we underwrote as a leading insurer or sole insurer, and enhanced the level of insurance services for strategic cooperative clients. At the same time, we focused on the smart cities relying on Internet of Things technology, the Belt and Road Initiative, environmental protection, "Insurance + Service" and other emerging fields, and increased our efforts in business expansion. On the premise of strengthening risk management and control, our commercial property insurance business has maintained steady growth.

Analysis by Distribution Channel

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

Unit: in RMB millions, except for percentages

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

Analysis by Region

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

Unit: in RMB millions, except for percentages

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

Combined Ratio

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

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

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

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

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 14.3% from RMB42,622 million in 2018 to RMB48,730 million in 2019, mainly due to the rapid growth of non-motor insurance businesses, including personal loan surety insurance, accident and short-term health insurance, liability insurance, cargo insurance, etc.

Premiums Ceded to Reinsurers

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

Reinsurance Commission Income

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

Investment Income

Investment income for our primary P&C insurance segment increased by 26.5% from RMB1,708 million in 2018 to RMB2,160 million in 2019. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 12.5% from RMB20,189 million in 2018 to RMB22,703 million in 2019, mainly due to the growth in business scale which led to an increase in claims.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment decreased by 14.0% from RMB6,783 million in 2018 to RMB5,834 million in 2019, mainly due to the implementation of the market-oriented reform of commercial motor insurance rates and the policy of commissions consistency of motor insurance, which led to a decrease in handling charges and commissions.

Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment increased by 85.1% from RMB908 million in 2018 to RMB1,681 million in 2019.

Asset Management

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

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

Investment Portfolio

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

Unit: in RMB millions, except for percentages

Investment assets	As at 31 December 2019		As at 31 December 2018[5]	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Cash and short-term time deposits	**20,262**	**7.7**	13,231	5.8
Fixed-income investments	**182,555**	**69.7**	166,002	72.5
Time deposits	**3,907**	**1.5**	4,409	1.9
Bonds	**113,658**	**43.4**	99,898	43.7
Government bonds	**8,972**	**3.5**	6,441	2.8
Financial bonds	**19,723**	**7.5**	13,878	6.1
Enterprise (corporate) bonds	**75,729**	**28.9**	70,368	30.8
Subordinated bonds	**9,234**	**3.5**	9,211	4.0
Investments classified as loans and receivables	**43,727**	**16.7**	41,065	17.9
Other fixed-income investments[1]	**21,263**	**8.1**	20,630	9.0
Equity and investment funds	**48,139**	**18.4**	37,199	16.3
Investment funds[2]	**21,565**	**8.3**	17,740	7.8
Stocks	**18,589**	**7.1**	11,575	5.1
Embedded derivatives	**40**	**0.0[6]**	226	0.1
Unlisted equity shares[3]	**7,945**	**3.0**	7,658	3.3
Other investments	**32,365**	**12.4**	26,416	11.6
Investments in associates	**24,062**	**9.2**	21,186	9.3
Others[4]	**8,303**	**3.2**	5,230	2.3
Less: securities sold under agreements to repurchase	**(21,488)**	**(8.2)**	(14,194)	(6.2)
Total investment assets	**261,833**	**100.0**	228,654	100.0

Notes:

1. Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans and others.
2. Including money market funds and the senior tranche of structured index funds.
3. Including assets management products, unlisted equity investments and equity investment schemes.
4. Including investment properties and currency swaps, etc.
5. In order to ensure the comparability of data, the data in this column is not same as the data disclosed in China Reinsurance (Group) Corporation 2018 Annual Report, mainly due to the incorporation of investment assets from Chaucer.
6. The data shown herein is a result of rounding, and the actual number is 0.015%.

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

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

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

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

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

In 2019, Great Wall Asset continued to develop the non-performing asset acquisition and management business and developed target customers on a recurring basis. As at the end of the Reporting Period, China Re P&C and China Continent Insurance respectively held approximately 3.64% and 2.86% of Great Wall Asset's equity shares, China Re Group held 6.5% of Great Wall Asset's equity share in aggregate. It is expected that Great Wall Asset will strive to create returns for its shareholders.

On 15 December 2018, China Continent Insurance entered into a sale and purchase agreement with Shanghai Fuyuan Binjiang Development Co. Ltd., to acquire a property from the latter at a consideration of approximately RMB3,085 million, payable in cash. The property is Building No. 1 (located at No. 6 Lane 38, Yuanshen Road) of the Shanghai Fuyuan Landmark Plaza Project located at the land plot Nos. 04-4 of Huangpu Riverbank Unit E10, Pudong New District, Shanghai, the PRC. The property is an investment property for commercial use and is an impermanent self-owned property of the Group. As at the end of the Reporting Period, 90% of the transaction price of the project has been paid, amounting to RMB2,777 million in total. The project is now completed and delivered.

Investment Performance

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

Unit: in RMB millions, except for percentages

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

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

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

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

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

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

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

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

Insurance Intermediary Business

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

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

Solvency

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

Unit: in RMB millions, except for percentages

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

Notes:

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

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

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

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

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

Unit: in RMB millions

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

Note: As the consolidated scope is larger than these four companies and affected by offsetting factors when calculating the consolidated net profit of the Group, the consolidated net profit of the Group is not equal to the sum of net profits of these four companies.

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

Exchange Rate Fluctuation Risk

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments appropriately. As at 31 December 2019, the Group held currency swaps of RMB411 million (31 December 2018: RMB175 million).

Details of Assets Charged and Bank Borrowings

As at 31 December 2019, the bonds with carrying amount of RMB26,421 million (31 December 2018: RMB22,823 million) were deposited in the collateral pool as the securities sold under agreements to repurchase by the Group. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

As at 31 December 2019, the Group held a short-term unsecured borrowing of GBP75 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year. The Group's unsecured borrowing amounted to RMB30 million and RMB15 million with a coupon rate of 4.5% and 8.5%, respectively, which will be repayable within one year.

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

Contingencies

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

As at 31 December 2019, the Group Company provided maritime guarantee of RMB2,937 million (31 December 2018: RMB2,514 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

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

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

Major Events

Material Litigation and Arbitration

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

Material Connected Transactions

During the Reporting Period, the Group did not conduct any connected transaction that is subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Use of Proceeds

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

(1) HKD7,600 million was used for the capital increase of the subsidiaries and overseas branches of the Company;

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

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

During the Reporting Period, HKD433 million was utilised for the capital increase of the overseas branches of the Company.

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

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

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

Other Major Events

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

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

Prospects

Market Environment

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

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

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

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

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

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

Outlook of China Re Group

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

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

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

For the primary P&C insurance business, we will continuously optimise product structure, facilitate development, and further consolidate our market position. In respect of the motor insurance, we will continuously put efforts in the technology empowerment and refined management, optimise the renewal and claims process, improve the business quality and strengthen the cost management and control to achieve high-quality development of motor insurance business. In respect of the non-motor insurance, we will seize the right timing of non-motor insurance favourable development and continue to deepen the "Non-motor Insurance Business" strategy, strive to make breakthroughs and achieve balanced development in policy-related and profitable insurance types. We will promote continuous optimisation of the core business system "Somersault Cloud" and continue to promote the in-depth implementation of the customer-oriented comprehensive operation model. We will fully enhance the abilities of online operation, digitisation and intelligent technology application, strengthen the abilities of technology innovation and application and facilitate transformation, so as to build a brand new model for customer management.

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

EMBEDDED VALUE

1. Valuation Results

The China Association of Actuaries issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016, which indicated the formal implementation of embedded value ("**EV**") under China risk oriented solvency system ("**C-ROSS**"). Based on those standards, we performed the China Re Group embedded value calculation as at 31 December 2019.

This section summarises the EV and the value of one year's new business ("**1-year VNB**") results as at 31 December 2019 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	**31 Dec 2019**	31 Dec 2018
Embedded value		
Adjusted net worth ("**ANW**")	**91,031**	81,175
Value of in-force business ("**VIF**") before CoC	**10,880**	8,456
Cost of Capital Required ("**CoC**")	**(3,458)**	(2,896)
Value of in-force business after CoC	**7,422**	5,560
Embedded value	**98,453**	86,735
Of which:		
ANW of the life and health reinsurance business	**20,462**	16,361
VIF after CoC of the life and health reinsurance business	**7,259**	5,402
EV of the life and health reinsurance business	**27,721**	21,763
Value of One Year's New Business of the life and health reinsurance business		
Value of One Year's New Business before CoC	**2,865**	2,352
Cost of Required Capital	**(647)**	(1,011)
Value of One Year's New Business after CoC	**2,219**	1,341

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

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

2. Movement Analysis

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

Unit: in RMB millions

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2018	21,763	EV as at 2018 year end before model change
2	Model change	(149)	EV model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2018	21,614	EV as at 2018 year end after model change
4	Expected return on EV	2,034	Expected return on EV in the year of 2019
5	Impact of new business	2,695	Impact of new business in the year of 2019
6	Impact of market value adjustments and other adjustments	(78)	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	1,667	Difference between actual investment income and expected investment income in the year of 2019
8	Operating experience variances	361	Difference between actual operational experience and expected operational results in the year of 2019
9	Change in assumptions	(369)	Adjustments to assumptions at 31 December 2019
10	Others	292	
11	Capital injection and shareholder dividend payment	(495)	Capital injection to China Re Life and dividend paid to the Group Company by China Re Life
12	EV of life and health reinsurance business as at 31 December 2019	27,721	
13	EV of other business of the Group as at 31 December 2018	64,972	
14	Profit from other business in the year of 2019	6,639	
15	Impact of market value adjustments and other adjustments	124	Changes from asset market value adjustments and other adjustments
16	Others	6	
17	Capital injection and shareholder dividend payment	(1,009)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2019	70,731	
19	EV of the Group as at 31 December 2019	98,453	

3. Assumptions

The assumptions used in the EV and 1-year VNB calculations as at the valuation date have been made under a "going concern" basis, assuming a continuation of the economic and regulatory environment currently prevailing in China. The calculation followed "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance". Various operating actuarial assumptions were set primarily based on internal experience analysis results, and with reference to the experience in China insurance market and the outlook of future tendency of the experience assumptions. Therefore, this represents the best estimate of future valuation based on the information available as at the valuation date.

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

Risk Discount Rate

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

Investment Return Rates

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

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

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

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

Policyholder Dividend

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

Mortality and Morbidity

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

Claim Ratio

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

Discontinuance Rates

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

Expenses

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

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

Tax

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

4. Sensitivity

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 31 December 2019. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Unit: in RMB millions

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

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 into 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

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

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

The Coronavirus Disease 2019 epidemic has spread worldwide so far. With an initial assessment of its impact, the Group considers that the COVID-19 will have a certain impact on the business development, capital utilisation and customer service of the Group in the short term. Up to the date of disclosure of this results announcement, the Group has not been able to accurately assess the specific amount of the impact. The Group will continue to pay close attention to the development of the COVID-19 situation and take corresponding measures.

FINAL DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2019 of RMB0.044 per share(tax inclusive), totalling approximately RMB1,869 million (the "**2019 Final Dividend**"). The 2019 Final Dividend is subject to the approval of shareholders of the Company at the 2019 annual general meeting, and is expected to be paid on Thursday, 20 August 2020 to the shareholders of the Company whose names appear on the register of members of the Company as at Sunday, 5 July 2020 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2019 annual general meeting published by China Foreign Exchange Trade System as authorised by the People's Bank of China. The above profit distribution scheme will not result in a lower indicator of the Company's relevant solvency adequacy ratio than the regulatory requirements.

Notice of the 2019 annual general meeting will announce the date of the 2019 annual general meeting of the Company and details of relevant book closure, as well as the arrangement of book closure for the final dividend.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements for the year ended 31 December 2019 of the Group were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers. The audit committee of the Company has also reviewed the audited annual results of the Company for the year ended 31 December 2019. The figures in respect of the Group's results for the year ended 31 December 2019 as set out in this annual results announcement have been agreed by the auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders and will be published on the website of the Company (www.chinare.com.cn) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

"Articles of Association"	the articles of association of our Company as adopted at our shareholders' meeting held on 26 June 2015, 24 October 2017, 28 June 2018 and approved by the CBIRC on 9 July 2015, 2 March 2016 and 16 January 2019
"Belt and Road Initiative"	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
"Board of Directors" or "Board"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"C-ROSS"	China Risk Oriented Solvency System, which is China's second generation insurance solvency regulation system
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), including its predecessor, China Insurance Regulatory Commission (中國保險監督管理委員會)
"Central Huijin"	Central Huijin Investment Ltd.
"Chaucer"	the collective name of China Re International Holdings Limited, Chaucer Insurance Company Designated Activity Company and China Re Australia HoldCo Pty Ltd
"China Continent Insurance"	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003. The Company holds 64.3% of its shares
"China Everbright Bank"	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC
"China Re AMC"	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively

"China Re HK"	China Reinsurance (Hong Kong) Company Limited (中國再保險(香港)股份有限公司), a subsidiary of China Re Life licensed and incorporated by Hong Kong Insurance Authority on 16 December 2019
"China Re Life"	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
"China Re P&C"	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
"China Re Syndicate 2088"	the syndicate established at Lloyd's in December 2011 by the Company through China Re UK
"China Re UK"	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
"CIC"	Chaucer Insurance Company Designated Activity Company, a company registered in the Republic of Ireland
"CNIP"	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
"Company" or "Group Company"	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
"CRAH"	China Re Australia HoldCo Pty Ltd, a company registered in Australia, the former name of which is Hanover Australia HoldCo Pty Ltd

"CRIH"	China Re International Holdings Limited, a company registered in England and Wales, the former name of which is The Hanover Insurance International Holdings Limited
"Director(s)"	the director(s) of the Company
"Great Wall Asset"	China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC
"Group", "China Re Group" or "we"	our Company and its subsidiaries (except where the context requires otherwise)
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Lloyd's"	The Society of Lloyd's, a global leading specialised P&C and liability insurance market
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Model Code for Securities Transactions"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

"Prospectus"	the prospectus of the Company dated 13 October 2015
"Reporting Period"	since 1 January 2019 until 31 December 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Hong Kong Laws)
"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, 30 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yuan Linjiang, Mr. He Chunlei and Mr. Ren Xiaobing, the non-executive directors of the Company are Ms. Lu Xiuli, Mr. Wen Ning, Ms. Wang Xiaoya and Mr. Liu Xiaopeng, and the independent non-executive directors of the Company are Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.