



中國再保險(集團)股份有限公司

CHINA REINSURANCE (GROUP) CORPORATION

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

Stock Code : 1508

## 2020 Interim Report



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

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# FINANCIAL HIGHLIGHTS

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

	As at 30 June 2020	As at 31 December 2019	Change (%)
Total assets	477,407	396,638	20.4
Total liabilities	379,245	299,660	26.6
Total equity	98,162	96,978	1.2
Net assets per share attributable to equity shareholders of the parent company (RMB)	2.07	2.05	1.1

	For the six months ended 30 June		Change (%)
	2020	2019	
Gross written premiums	102,123	84,772	20.5
Net profit	2,749	3,616	(24.0)
Net profit attributable to equity shareholders of the parent company	2,467	3,320	(25.7)
Earnings per share (RMB)	0.06	0.08	(25.7)
Annualised weighted average return on equity (%) <sup>1</sup>	5.63	8.20	Decrease by 2.57 percentage points

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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## OVERVIEW

The Group is engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and other business. We operate our domestic P&C reinsurance business primarily through China Re P&C; our overseas P&C reinsurance business primarily through China Re P&C, Singapore Branch and Chaucer; our domestic and overseas life and health reinsurance business primarily through China Re Life, China Re HK and Singapore Branch; 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 domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C and Chaucer, and manages legacy life and health reinsurance business through China Re Life.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Key Operating Data

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

*Unit: in RMB millions, except for percentages*

**For the six months ended 30 June**

	2020	2019	Change (%)
Gross written premiums	102,123	84,772	20.5
Gross written premiums by business segment:			
P&C reinsurance <sup>1</sup>	27,078	23,033	17.6
Life and health reinsurance <sup>1</sup>	50,500	38,427	31.4
Primary P&C insurance <sup>1</sup>	25,763	24,379	5.7
Total investment income <sup>2</sup>	7,565	6,159	22.8
Annualised total investment yield (%) <sup>3</sup>	5.48	5.19	Increase by 0.29 percentage points
Net investment income <sup>4</sup>	6,407	6,027	6.3
Annualised net investment yield (%) <sup>5</sup>	4.64	5.07	Decrease by 0.43 percentage points

- Notes: 1. Gross written premiums for 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 mainly include domestic life and health reinsurance business, overseas life and health reinsurance business and legacy life and health reinsurance business; and  
the business of primary P&C insurance segment refers to the property and casualty insurance business operated by China Continent Insurance.
2. Total investment income = investment income + share of profits of associates – interest expenses on securities sold under agreements to repurchase.
3. Annualised total investment yield = Total investment income ÷ average of investment assets as at the beginning and end of the period x 2.
4. Net investment income = interest + dividend + rental income + share of profits of associates.
5. Annualised net investment yield = Net investment income ÷ average of investment assets as at the beginning and end of the period x 2.

# MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2020		As at 31 December 2019	
	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	175	192	190	209
Group Company	478	478	561	561
China Re P&C	178	212	182	218
China Re Life	186	214	179	213
China Continent Insurance	350	350	371	371

Note: The relevant solvency data as at 30 June 2020 was not audited or reviewed by the auditors of the Company.

In the first half of 2020, the outbreak and global spread of the novel coronavirus (“COVID-19 Pandemic”) posed a certain degree of adverse impact on the Group in terms of underwriting profit, business development, client services and other aspects. The Group has always been focusing on high-quality development while dedicating efforts to pandemic prevention and control as well as business management. Consequently we turned “threats” into “opportunities” and achieved a rapid growth in premium income with an overall enhanced stable business performance across all segments. The Group will closely monitor the development of the pandemic and take responsive actions when necessary.

Our business maintained relatively fast growth. Our gross written premiums recorded an increase of 20.5% from RMB84,772 million in the first half of 2019 to RMB102,123 million in the first half of 2020. In particular, the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB27,078 million, RMB50,500 million and RMB25,763 million, respectively. The main reason for our increased gross written premiums was the rapid growth in savings-type life and health reinsurance business and domestic P&C reinsurance business.

Our core reinsurance business maintained its solid market position and we continued to maintain the leading market share in both domestic P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.53% in primary P&C insurance business, ranking sixth in all primary P&C insurance companies in the domestic market. During the Reporting Period, we maintained our Financial Strength Rating of “A (Excellent)” by A.M. Best and were rated “A” by S&P Global Ratings, with our financial condition remaining stable.

In the first half of 2020, the Group’s total investment income was RMB7,565 million, representing a year-on-year increase of 22.8%, and the net investment income was RMB6,407 million, representing a year-on-year increase of 6.3%. 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 and the accumulation of investment income; and (2) the active seizure of the opportunity of capital market volatility to obtain excess investment income, while benefiting from the recovery of the A-share capital market and the good performance of the investment income of public market varieties. The annualised total investment yield was 5.48%, representing a year-on-year increase of 0.29 percentage points, and the annualised net investment yield was 4.64%, representing a year-on-year decrease of 0.43 percentage points.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Key Financial Indicators

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

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

	For the six months ended 30 June		
	2020	2019	Change (%)
Gross written premiums	102,123	84,772	20.5
Profit before tax	3,287	4,194	(21.6)
Net profit	2,749	3,616	(24.0)
Net profit attributable to equity shareholders of the parent company	2,467	3,320	(25.7)
Earnings per share (RMB)	0.06	0.08	(25.7)
Annualised weighted average return on equity (%) <sup>1</sup>	5.63	8.20	Decrease by 2.57 percentage points

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

In the first half of 2020, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB2,467 million, representing a year-on-year decrease of 25.7%, which was mainly due to the decrease in the underwriting profits of our overseas P&C reinsurance business and primary P&C insurance as a result of the outbreak of the COVID-19 Pandemic.

*Unit: in RMB millions, unless otherwise stated*

	As at	As at	Change (%)
	30 June	31 December	
	2020	2019	
Total assets	477,407	396,638	20.4
Total liabilities	379,245	299,660	26.6
Total equity	98,162	96,978	1.2
Net assets per share attributable to equity shareholders of the parent company (RMB)	2.07	2.05	1.1

# MANAGEMENT DISCUSSION AND ANALYSIS

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## P&C REINSURANCE BUSINESS

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

In the first half of 2020, 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 continued to achieve breakthrough 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, construction surety bond insurance, Chinese interest abroad projects insurance and customs bond insurance, and thus our business structure continued to optimise.

For overseas business, we continued to implement the international development strategy, taking high-quality business development as the long-term development goal of our international business in accelerating platform integration, promoting overseas organic growth, and strengthening risk management and control. We successfully promoted the integration with Chaucer, incorporating Chaucer into the overall operational and management system of the Group's international business, and defining the business development direction in the medium and long term. We continued to deepen the synergy between domestic and overseas businesses by strengthening the collaboration in political risk insurance, political violence insurance and cyber insurance, and other areas of business, which resulted in jointed forces regarding expanding the underwriting capacity, facilitating business development, optimising the risk portfolio and responding to the national Belt and Road Initiative.

In the first half of 2020, gross written premiums from our P&C reinsurance segment amounted to RMB27,078 million, representing a year-on-year increase of 17.6% and accounting for 26.2% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB699 million, and annualised weighted average return on equity reached 5.78%. The combined ratio was 102.39%, representing a year-on-year increase of 5.03 percentage points, of which the loss ratio was 63.60%, representing a year-on-year increase of 7.79 percentage points; the expense ratio was 38.79%, representing a year-on-year decrease of 2.76 percentage points. The increase in the combined ratio was mainly due to the impact of COVID-19 Pandemic, which resulted in loss in our overseas business.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## Business Analysis

### Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In the first half of 2020, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB18,021 million, representing a year-on-year increase of 20.8%. The combined ratio was 99.80%, representing a year-on-year increase of 0.18 percentage points, of which the loss ratio was 63.83%, representing a year-on-year increase of 6.88 percentage points; the expense ratio was 35.97%, representing a year-on-year decrease of 6.70 percentage points.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, which was generally in line with the business mix of 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 RMB1,300 million, representing a year-on-year increase of 18.5%.

In terms of business channels, by virtue of our good cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on 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 six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	16,721	92.8	13,817	92.6
Facultative reinsurance	1,300	7.2	1,097	7.4
<b>Total</b>	<b>18,021</b>	<b>100.0</b>	<b>14,914</b>	<b>100.0</b>

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# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

Form of cession	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	17,672	98.1	14,672	98.4
Non-proportional reinsurance	349	1.9	242	1.6
<b>Total</b>	<b>18,021</b>	<b>100.0</b>	<b>14,914</b>	<b>100.0</b>

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

*Unit: in RMB millions, except for percentages*

Business channel	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Primary	16,946	94.0	14,027	94.1
Via broker	1,075	6.0	887	5.9
<b>Total</b>	<b>18,021</b>	<b>100.0</b>	<b>14,914</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Lines of business

As the largest domestic specialised P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, mainly 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, vigorously developed non-motor reinsurance business and the proportion of non-motor reinsurance business in our domestic P&C reinsurance business for the first half of 2020 increased by 24.1% on a year-on-year basis, resulting in further optimisation of business structure. In particular, we achieved a rapid growth 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, construction surety bond insurance, Chinese interest abroad projects insurance and customs bond insurance, with reinsurance premium income recorded at RMB968 million, representing a year-on-year increase of 27.7%, which further consolidated our development advantages in emerging business sectors.

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*

**For the six months ended 30 June**

Line of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	5,644	31.3	4,941	33.1
Agriculture	4,375	24.3	2,716	18.2
Commercial and household property	3,063	17.0	2,722	18.3
Liability	2,081	11.5	1,916	12.8
Engineering	811	4.5	984	6.6
Others <sup>1</sup>	2,047	11.4	1,635	11.0
<b>Total</b>	<b>18,021</b>	<b>100.0</b>	<b>14,914</b>	<b>100.0</b>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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*Motor reinsurance.* In the first half of 2020, reinsurance premium income from motor insurance amounted to RMB5,644 million, representing a year-on-year increase of 14.2%, mainly due to the success in capturing business opportunities, resulting in a relatively fast growth in the scale of motor insurance business in the first half of the year.

*Agriculture reinsurance.* In the first half of 2020, the reinsurance premium income from agriculture insurance amounted to RMB4,375 million, representing a year-on-year increase of 61.1%, mainly due to an overall higher growth of agriculture insurance premium cession in the market.

*Commercial and household property reinsurance.* In the first half of 2020, the reinsurance premium income from commercial and household property insurance amounted to RMB3,063 million, representing a year-on-year increase of 12.5%, which was mainly due to the fact that we actively expanded our property insurance business, while accomplishing impressive achievements in exploring cession of governmental pilot business of catastrophe insurance.

*Liability reinsurance.* In the first half of 2020, the reinsurance premium income from liability insurance amounted to RMB2,081 million, representing a year-on-year increase of 8.6%, mainly due to the fact that we actively captured opportunities in the liability insurance market and stepped up investment in research and development and efforts in promotion of new types of liability insurance products such as the first piece (set)/new material comprehensive insurance and the construction inherent defects insurance (IDI).

*Engineering reinsurance.* In the first half of 2020, the reinsurance premium income from engineering insurance amounted to RMB811 million, representing a year-on-year decrease of 17.6%, mainly due to the structural adjustment of reinsurance premiums ceded by individual customers.

## **Clients and client services**

In the first half of 2020, we continued to maintain good client relationships. We 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 in the PRC. We were the lead reinsurer for 34% of our reinsurance contracts. We ranked first in the domestic market both in terms of client coverage and the number of contracts entered into as the lead reinsurer.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overseas P&C Reinsurance and Chaucer Business

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

In the first half of 2020, gross written premiums from overseas P&C reinsurance and Chaucer business amounted to RMB9,725 million (before intra-segment eliminations), representing a year-on-year increase of 14.9%. The combined ratio was 110.32%, representing a year-on-year increase of 15.15 percentage points. Of such combined ratio, the loss ratio and expense ratio were 69.32% and 41.00% respectively, representing a year-on-year increase of 14.17 percentage points and 0.98 percentage points respectively. The increase in combined ratio was mainly caused by COVID-19 Pandemic losses, and the combined ratio excluding COVID-19 Pandemic losses was 92.08%, representing a year-on-year decrease of 3.09 percentage points. As at the end of the Reporting Period, total net loss on COVID-19 Pandemic was approximately USD144 million, which has been reflected in the financial result for the first half of 2020.

## Overseas P&C Reinsurance Business

In the first half of 2020, gross written premiums from our overseas P&C reinsurance business amounted to RMB3,307 million (before intra-segment eliminations), representing a year-on-year increase of 13.7%. The combined ratio was 111.25%, representing a year-on-year increase of 14.68 percentage points, of which the loss ratio was 77.52%, representing a year-on-year increase of 14.81 percentage points, which was mainly caused by COVID-19 Pandemic losses; the expense ratio was 33.73%, representing a year-on-year decrease of 0.13 percentage points.

In terms of types of business, treaty reinsurance continued to dominate our overseas P&C reinsurance business.

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

*Unit: in RMB millions, except for percentages*

Type of business	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	3,073	92.9	2,592	89.1
Facultative reinsurance	173	5.2	84	2.9
Primary insurance	61	1.9	233	8.0
<b>Total</b>	<b>3,307</b>	<b>100.0</b>	<b>2,909</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

In terms of lines of business, our overseas P&C reinsurance business mainly provided coverage for non-marine, specialty and casualty reinsurance. Business portfolio consisted mainly of short tail business.

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

*Unit: in RMB millions, except for percentages*

Line of business	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-marine	2,104	63.6	1,423	48.9
Specialty	517	15.7	443	15.2
Liability	341	10.3	393	13.5
Others <sup>1</sup>	345	10.4	650	22.4
<b>Total</b>	<b>3,307</b>	<b>100.0</b>	<b>2,909</b>	<b>100.0</b>

Note: 1. Others include, among others, whole account, motor, credit guarantee and agriculture reinsurance.

In terms of our 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 cooperation with reputable international brokers, while exploring business opportunities with distinctive regional brokers. At the same time, we continuously strengthened our direct cooperation with quality clients and built up closer business connections.

In terms of our client base, 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 at 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 our service ability, our quotation ability continued to improve, and our service quality received more client recognition. Leveraging our talents and technology advantages as well as years of experience in international business operations, we were able to better serve domestic clients in the PRC by providing more products and cooperation solutions for 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 in safeguarding the overseas interests of Chinese clients.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Chaucer Business

In the first half of 2020, gross written premiums from Chaucer amounted to RMB6,418 million, representing a year-on-year increase of 15.6%. The combined ratio was 109.68%<sup>1</sup>, representing a year-on-year increase of 15.51 percentage points. Of such combined ratio, the loss ratio and expense ratio were 63.70% and 45.98% respectively, representing a year-on-year increase of 13.93 percentage points and 1.58 percentage points respectively. The increase in loss ratio was mainly caused by the COVID-19 Pandemic losses. We took advantage of the opportunities provided by the increased rates in certain business areas, and allocated more capacity to support a steady growth in written premiums. We constantly adjusted our business mix by reducing our participation in under-performing business. Barring the impact of COVID-19 Pandemic, our overall business quality continued to improve. The premium of contracts led by Chaucer accounted for approximately 42% of its overall gross written premiums. Chaucer is one of a limited number of Lloyd's market entities with substantial contract leadership capabilities.

Note: 1. Under the UK GAAP, the combined ratio of Chaucer was 111.70%, which was different from that under the International Accounting Standards due to the different treatment for reserve discounting and risk margin.

In terms of types of business and lines of business, Chaucer business consisted of treaty reinsurance, facultative reinsurance and primary insurance. Within each of these, treaty reinsurance business primarily provided coverage for property, specialty and casualty reinsurance worldwide; and facultative reinsurance and primary insurance businesses primarily provided coverage for marine, space and aviation, political risk/credit, political violence, energy, property and casualty insurance worldwide.

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

*Unit: in RMB millions, except for percentages*

**For the six months ended 30 June**

Type of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,213	34.5	2,354	42.4
Facultative reinsurance	1,588	24.7	1,144	20.6
Primary insurance	2,617	40.8	2,054	37.0
<b>Total</b>	<b>6,418</b>	<b>100.0</b>	<b>5,552</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

**For the six months ended 30 June**

Line of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Casualty and political risk/credit	1,595	24.8	1,235	22.2
Marine, energy, space and aviation and nuclear	1,297	20.2	1,213	21.9
Property and political violence	1,025	16.0	750	13.5
Others <sup>1</sup>	2,501	39.0	2,354	42.4
<b>Total</b>	<b>6,418</b>	<b>100.0</b>	<b>5,552</b>	<b>100.0</b>

Note: 1. Others mainly refer to global treaty reinsurance business, including, among others, property treaty reinsurance, speciality treaty reinsurance and casualty treaty reinsurance.

In terms of business channels, the broker channel is our main source of business. We continued to consolidate our business relationships with major international brokers, develop further cooperation with regional brokers while actively expanding our underwriting agency channels. In addition, we further strengthened direct connection with our clients and sought to build closer business relationships.



# MANAGEMENT DISCUSSION AND ANALYSIS

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In terms of service capabilities, Chaucer provides customers with the benefits of a number of key strengths as a business. With headquarter in London, and international hubs for Europe, MENA, Latin America and Asia, Chaucer protects clients worldwide. We provide our clients with a range of flexible business platforms to choose from. On one hand, Membership of Lloyd's allows Chaucer to take advantage of Lloyd's strong rating and excellent brand reputation to provide risk coverage to our clients in over 200 countries and territories worldwide. Our underwriting capacity at Lloyd's exceeded £1 billion, making us one of the leading platforms with substantial contract leadership capabilities in Lloyd's market. On the other hand, CIC can provide commercial alternative for clients wishing to place business through the Company Market. CIC is also eligible to write excess and surplus lines business in the United States and provides Chaucer with continued access to all EEA markets now that the United Kingdom is no longer a member of the European Union. The Chaucer senior management team is highly experienced, with an average term in office of approximately 16 years, and has an entrepreneurial approach to business. We deliver customised risk solutions to the market with more than 110 experienced underwriters having distinctive capabilities across 45 specialty lines, including political, nuclear insurance, and etc. We also have an outstanding claims team with over 100 years of claims handling experience in London market capable of dealing with the most complex claims, which effectively handles approximately 10,000 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.

In terms of product innovation, we continued to invest in product innovation and smarter and more efficient underwriting capabilities. This included the launch of a parametric cyber multi-peril insurance product for small businesses, "pay as you fly" drone insurance and the development of a new next generation underwriting platform for high volume specialty products. Machine learning and AI underpins each of these new initiatives.

## **CNIP Business**

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In the first half of 2020, our reinsurance premium income from the CNIP platform amounted to RMB64 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

	For the six months ended 30 June		
	2020	2019	Change (%)
Gross written premiums	27,078	23,033	17.6
Less: premiums ceded to reinsurers and retrocessionaires	(3,047)	(2,559)	19.1
Net written premiums	24,031	20,474	17.4
Changes in unearned premium reserves	(2,611)	(1,982)	31.7
Net premiums earned	21,420	18,492	15.8
Reinsurance commission income	411	257	59.9
Investment income	1,637	1,208	35.5
Exchange gains/(losses), net	1	(35)	102.9
Other income	55	60	(8.3)
Total income	23,524	19,982	17.7
Claims and policyholders' benefits	(13,622)	(10,320)	32.0
Handling charges and commissions	(7,949)	(7,209)	10.3
Finance costs	(301)	(167)	80.2
Other operating and administrative expenses	(895)	(1,075)	(16.7)
Total benefits, claims and expenses	(22,767)	(18,771)	21.3
Share of profits of associates	16	160	(90.0)
Profit before tax	773	1,371	(43.6)
Income tax	(74)	(177)	(58.2)
Net profit	699	1,194	(41.5)

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Gross Written Premiums

Total premium income of our P&C reinsurance segment increased by 17.6% from RMB23,033 million in the first half of 2019 to RMB27,078 million in the first half of 2020, mainly due to the rapid growth of agriculture and motor reinsurance business in China and non-marine reinsurance business abroad.

## Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment increased by 19.1% from RMB2,559 million in the first half of 2019 to RMB3,047 million in the first half of 2020, mainly due to the corresponding increase in ceded premiums in line with the increase in our business scale. In addition, Chaucer's premiums ceding ratio was relatively high due to the requirements of its risk appetite management.

## Investment Income

Investment income from our P&C reinsurance segment increased by 35.5% from RMB1,208 million in the first half of 2019 to RMB1,637 million in the first half of 2020. 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 32.0% from RMB10,320 million in the first half of 2019 to RMB13,622 million in the first half of 2020, mainly due to the impact of the COVID-19 Pandemic, African swine fever, typhoon Lekima and other risk events.

## Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 10.3% from RMB7,209 million in the first half of 2019 to RMB7,949 million in the first half of 2020, mainly due to the significant increase in our business scale.

## Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment decreased by 90.0% from RMB160 million in the first half of 2019 to RMB16 million in the first half of 2020, mainly due to the decrease in profits of our associates in the first half of 2020.

## Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment decreased by 41.5% from RMB1,194 million in the first half of 2019 to RMB699 million in the first half of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## LIFE AND HEALTH REINSURANCE BUSINESS

The life and health reinsurance segment comprises the life and health reinsurance business operated by China Re Life, China Re HK and Singapore Branch, as well as the legacy life and health reinsurance business operated by the Group Company through China Re Life.

In the first half of 2020, affected by the COVID-19 Pandemic and other factors, domestic and global economies experienced a significant downturn. A new dual circulation development pattern is forming, focusing on the domestic economy with mutual promotion between the international circulation and domestic circulation. As resumption of production and operation progressed orderly, the life insurance industry stabilised and rebounded in the second quarter. The growth of premiums from new policies still faced relatively big challenges whereas a rapid growth of the health insurance business was shown, in addition to the quickened digital transformation and online-offline integration. We unwaveringly promoted “platform operation, technology advancement and globalisation” development, continuously optimised business structure and improved business quality while developing our business. We strategically developed the protection-type reinsurance business, innovated health insurance products based on “Product+” and “Data+” strategies and promoted the integration of insurance products and health services. We helped the industry to fight against the pandemic by innovating products and providing risk solutions to cover insurance liabilities arising from COVID-19. We sought opportunities to develop the savings-type reinsurance business, and strengthened cost control and asset-liability management. We strategically developed financial reinsurance business by paying attention to the credit risk of counterparties and effectively managing existing business. Since China Re HK was established, the Company has fully brought into play its advantages in both domestic and overseas markets to actively expand its foreign-currency savings-type business, providing reinsurance solutions with China Re’s characteristics for markets such as Hong Kong and Singapore. We are in a solid competitive position in both the mainland and Hong Kong markets, with the proportion of reinsurance contracts being entered into as leading reinsurer in all reinsurance contracts maintaining the highest in the domestic market.

In the first half of 2020, reinsurance premium income from our life and health reinsurance segment amounted to RMB50,500 million, representing a year-on-year increase of 31.4% and accounting for 48.9% of the Group’s gross written premiums (before inter-segment eliminations). Net profit amounted to RMB875 million, and annualised weighted average return on equity reached 7.10%, of which reinsurance premium income from China Re Life (merged with China Re HK) amounted to RMB50,286 million, representing a year-on-year increase of 31.1%; total written premiums (“TWPs”) amounted to RMB53,501 million (including TWPs of RMB3,215 million from savings-type non-insurance business), representing a year-on-year increase of 23.5%.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Analysis

In terms of lines of business, the protection-type reinsurance business grew at a relatively fast speed, the savings-type reinsurance business grew significantly, and the financial reinsurance business recorded a decline.

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*

**For the six months ended 30 June**

Line of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic protection-type reinsurance	11,559	23.0	9,292	24.2
Domestic savings-type reinsurance	10,483	20.8	2,710	7.1
Domestic financial reinsurance	19,540	38.9	23,932	62.4
<b>Domestic in total</b>	<b>41,582</b>	<b>82.7</b>	<b>35,934</b>	<b>93.7</b>
Overseas savings-type reinsurance	8,369	16.6	2,127	5.5
Other overseas business	335	0.7	308	0.8
<b>Overseas in total</b>	<b>8,704</b>	<b>17.3</b>	<b>2,435</b>	<b>6.3</b>
<b>Total</b>	<b>50,286</b>	<b>100.0</b>	<b>38,369</b>	<b>100.0</b>

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

*Unit: in RMB millions, except for percentages*

**For the six months ended 30 June**

Non-insurance business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic savings-type non-insurance	3,212	99.9	4,938	99.9
Overseas savings-type non-insurance	3	0.1	4	0.1
<b>Total</b>	<b>3,215</b>	<b>100.0</b>	<b>4,942</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Domestic Life and Health Reinsurance Business

The domestic life and health reinsurance business described in this section refers to the domestic life and health reinsurance business operated by China Re Life.

In the first half of 2020, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB41,582 million, representing a year-on-year increase of 15.7%; and the TWPs amounted to RMB44,794 million (including TWPs of RMB3,212 million from savings-type non-insurance business), representing a year-on-year increase of 9.6%.

In respect of the protection-type reinsurance business, reinsurance premium income amounted to RMB11,559 million in the first half of 2020, representing a year-on-year increase of 24.4%, of which reinsurance premium income from the yearly renewable term reinsurance business<sup>1</sup> amounted to RMB7,180 million, representing a year-on-year increase of 33.0%, accounting for 62.1% of reinsurance premium income from the protection-type reinsurance business. On one hand, we relied on “Data+” and “Product+” development strategies to explore the integration of health insurance with the health industry, accelerated cooperation with Internet platforms, and continued to consolidate our development advantages in health insurance. On the other hand, through experience analysis, product iteration, data co-creation and risk control model development, the Company actively carried out risk mitigation and prevention work, conducted in-depth research on the risk control mechanism of long-term medical insurance, and further deepened the work of “Data + Risk Prevention and Control”. The combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.26%, representing a year-on-year decrease of 0.30 percentage points, and the underwriting profits were RMB181 million.

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

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB10,483 million in the first half of 2020, representing a year-on-year increase of 286.8%; and the TWPs amounted to RMB13,695 million (including TWPs of RMB3,212 million from savings-type non-insurance business), representing a year-on-year increase of 79.1%. We proactively responded to adverse circumstances such as the downward pressure on interest rates and cost rigidity, actively improved the interactive mechanism of assets and liabilities, seized opportunities for development at the beginning of the year, and paid attention to the needs of clients. As a result, we achieved a significant growth in TWPs under the condition of controllable costs.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB19,540 million in the first half of 2020, representing a year-on-year decrease of 18.4%. We paid close attention to changes in the regulatory policies, strengthened the analysis of counterparty risk during the pandemic, improved capital optimisation and enhanced the efficiency of capital usage.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Overseas Life and Health Reinsurance Business

The overseas life and health reinsurance business described in this section represents the overseas life and health reinsurance business operated by China Re Life and China Re HK.

In the first half of 2020, reinsurance premium income from overseas life and health reinsurance business amounted to RMB8,704 million, representing a year-on-year increase of 257.5%; and the TWPs amounted to RMB8,707 million (including TWPs of RMB3 million from savings-type non-insurance business), representing a year-on-year increase of 257.0%, of which the reinsurance premium income of China Re HK (after intra-group eliminations) amounted to RMB4,793 million.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB8,369 million in the first half of 2020, representing a year-on-year increase of 293.5%; and the TWPs amounted to RMB8,372 million (including TWPs of RMB3 million from savings-type non-insurance business), representing a year-on-year increase of 292.9%. In view of globally low interest rates and the pandemic, we actively developed our relationship with clients, expanded our business coverage, strengthened global market research, and introduced innovative service plans to achieve a generally fast development of the overseas savings-type reinsurance business.

In respect of other overseas business, reinsurance premium income amounted to RMB335 million in the first half of 2020, representing a year-on-year increase of 8.8%.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

Type of reinsurance arrangement	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	50,220	99.9	38,145	99.4
Facultative reinsurance	66	0.1	224	0.6
<b>Total</b>	<b>50,286</b>	<b>100.0</b>	<b>38,369</b>	<b>100.0</b>

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

*Unit: in RMB millions, except for percentages*

Form of cession	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	50,247	99.9	38,332	99.9
Non-proportional reinsurance	39	0.1	37	0.1
<b>Total</b>	<b>50,286</b>	<b>100.0</b>	<b>38,369</b>	<b>100.0</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

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In terms of lines of business, our life and health reinsurance business primarily consisted of life insurance, and the business structure remained generally stable.

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*

**For the six months ended 30 June**

Line of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Life	39,121	77.8	29,537	77.0
Health	9,937	19.8	7,384	19.2
Accident	1,228	2.4	1,448	3.8
<b>Total</b>	<b>50,286</b>	<b>100.0</b>	<b>38,369</b>	<b>100.0</b>

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# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

**For the six months ended 30 June**

	2020	2019	Change (%)
Gross written premiums	50,500	38,427	31.4
Less: premiums ceded to retrocessionaires	(3,274)	(2,319)	41.2
Net written premiums	47,226	36,108	30.8
Changes in unearned premium reserves	(1,163)	(923)	26.0
Net premiums earned	46,063	35,185	30.9
Reinsurance commission income	700	339	106.5
Investment income	3,207	1,953	64.2
Exchange losses, net	(127)	(8)	1,487.5
Other income	924	236	291.5
Total income	50,767	37,705	34.6
Claims and policyholders' benefits	(45,648)	(35,093)	30.1
Handling charges and commissions	(3,295)	(1,304)	152.7
Finance costs	(217)	(170)	27.6
Other operating and administrative expenses	(995)	(766)	29.9
Total benefits, claims and expenses	(50,155)	(37,333)	34.3
Share of profits of associates	500	627	(20.3)
Profit before tax	1,112	999	11.3
Income tax	(237)	(162)	46.3
Net profit	875	837	4.5

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Gross Written Premiums

Gross written premiums for our life and health reinsurance segment increased by 31.4% from RMB38,427 million in the first half of 2019 to RMB50,500 million in the first half of 2020, mainly due to the growth in the savings-type reinsurance business.

## Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 41.2% from RMB2,319 million in the first half of 2019 to RMB3,274 million in the first half of 2020, mainly due to the increase in retrocessionaires from the protection-type reinsurance business.

## Investment Income

Investment income for our life and health reinsurance segment increased by 64.2% from RMB1,953 million in the first half of 2019 to RMB3,207 million in the first half of 2020. 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 30.1% from RMB35,093 million in the first half of 2019 to RMB45,648 million in the first half of 2020, 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 152.7% from RMB1,304 million in the first half of 2019 to RMB3,295 million in the first half of 2020, mainly due to the growth in the savings-type reinsurance business.

## Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment decreased by 20.3% from RMB627 million in the first half of 2019 to RMB500 million in the first half of 2020, mainly due to the decrease in profits of associates in the first half of 2020.

## Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 4.5% from RMB837 million in the first half of 2019 to RMB875 million in the first half of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## PRIMARY P&C INSURANCE BUSINESS

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

In the first half of 2020, we deepened the reform and innovation, stuck to high-quality development, devoted ourselves in the implementation of online, digital and intelligent operation, further enhancing our ability of technology-driven and innovation development. In the face of the COVID-19 Pandemic, we adhered to our management policy of “fighting the pandemic and managing the business simultaneously and promoting both”, and rapidly developed insurance products for resumption of work and production to help enterprises affected by the pandemic overcome their difficulties. The “Resumption of Work and Safety Insurance” (复工安行保) relieved migrant workers’ worries about returning to work and covered more than 200,000 laborers in 15 provinces and cities, while the “Pandemic Prevention Insurance” (防疫保) and “Resumption of Work Insurance” (复工保) alleviated enterprises’ worries about labors, providing over 3,500 enterprises with insurance coverage. In addition, the “Enterprise Welfare Insurance” (企福保) addressed small and micro enterprises’ concerns, providing risk protection for nearly 1,350 small and micro enterprises. 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 health insurance business, so that premium income from non-motor insurance businesses continued to increase. The customer online application platform “China Continent Super APP” was successfully launched, with over 820,000 registered users and the share of monthly active users (MAU) over 40%, providing strong support for business development.

For the first half of 2020, gross written premiums from our primary P&C insurance segment amounted to RMB25,763 million, representing a year-on-year increase of 5.7% and accounting for 24.9% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB25,469 million, representing a year-on-year increase of 5.4%. Net profit amounted to RMB798 million, and annualised weighted average return on equity reached 5.80%. The combined ratio was 101.93%, representing a year-on-year increase of 2.07 percentage points. Of this combined ratio, the loss ratio and expense ratio were 57.84% and 44.09% respectively, representing a year-on-year increase of 3.65 percentage points and a year-on-year decrease of 1.58 percentage points respectively. The year-on-year increase in the combined ratio was mainly attributable to the increase in the loss ratio of certain non-motor insurance businesses as a result of the pandemic.

Based on primary premium income of P&C insurance companies in the domestic market in the first half of 2020 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.53%, basically remaining flat.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Analysis

### Analysis by Line of Business

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

*Unit: in RMB millions, except for percentages*

For the six months ended 30 June

Line of business	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	14,238	55.9	13,923	57.6
Accident and short-term health	3,980	15.6	3,775	15.6
Surety	3,252	12.8	2,826	11.7
Liability	1,234	4.8	1,142	4.7
Cargo	786	3.1	529	2.2
Commercial property	710	2.8	725	3.0
Others <sup>1</sup>	1,269	5.0	1,243	5.2
<b>Total</b>	<b>25,469</b>	<b>100.0</b>	<b>24,163</b>	<b>100.0</b>

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

*Motor Insurance.* In the first half of 2020, primary premium income from our motor insurance amounted to RMB14,238 million, representing a year-on-year increase of 2.3%. We continued to push forward the strategy of “identifying, controlling and introducing”, and launched the “Motor Insurance C Index” online successfully in the first half of the year. By introducing factors such as vehicle factor, people factor, credit factor and driving behaviour factor, we effectively improved our pricing capability and risk selection ability. More than 70% of motor insurance business was related to private cars, and by controlling the proportion of high-risk businesses such as those related to specialty vehicles and trucks, our quality of motor insurance business improved significantly. We effectively increased the average premiums per motor insurance policy and ensured the quality of motor insurance business by increasing policy renewal rate and coverage ratio of profitable products, and promoting the third-party liability insurance to be fully insured and other measures.

# MANAGEMENT DISCUSSION AND ANALYSIS

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*Accident and Short-term Health Insurance.* In the first half of 2020, primary premium income from accident and short-term health insurance amounted to RMB3,980 million, representing a year-on-year increase of 5.4%, of which primary premium income from accident insurance amounted to RMB1,394 million, representing a year-on-year decrease of 32.8%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB1,571 million, representing a year-on-year increase of 24.3%; primary premium income from critical illness insurance amounted to RMB1,015 million, representing a year-on-year increase of 132.3%. 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 participated in various livelihood project businesses such as major illness medical insurance for urban and rural residents, nursing care insurance, accident insurance and health insurance for the indigent, and explored the development of home accident insurance and accident insurance of public welfare nature, so as to assume the function of insurance in serving the society.

*Surety Insurance.* In the first half of 2020, primary premium income from surety insurance amounted to RMB3,252 million, representing a year-on-year increase of 15.1%. We continued to develop the personal loan surety insurance business, and continuously innovated products, channels, technologies and development mode. In the first half of the year, we opened 311 stores/business outlets under the personal loan surety insurance business department, covering 202 cities in 30 provinces (including autonomous regions and municipalities) and with a bad debt ratio of 10.55%. As affected by the COVID-19 Pandemic, the bad debt ratio is higher as compared with the same period of the previous year. We have taken management and control measures such as enhancing client access standards as well as adjusting underwriting and recovery policies, striving to mitigate the risk of bad debts caused by the pandemic.

*Liability Insurance.* In the first half of 2020, primary premium income from liability insurance amounted to RMB1,234 million, representing a year-on-year increase of 8.1%. We designed and developed new products to meet the profile of the pandemic and launched various product portfolio solutions to provide risk protection for enterprises to resume work and production as soon as possible. We actively responded to new requirements arising from the shift of government functions, developed government rescue liability insurance and government anti-poverty liability insurance, thus maintaining steady growth in liability insurance business as a whole.

*Cargo Insurance.* In the first half of 2020, primary premium income from cargo insurance amounted to RMB786 million, representing a year-on-year increase of 48.6%. The main reason for the rapid year-on-year increase is that innovative digital traffic businesses, such as the return freight insurance of online shopping, maintained a relatively high growth rate. Meanwhile, traditional cargo insurance acquired some good quality clients which led to steady development.

*Commercial Property Insurance.* In the first half of 2020, primary premium income from commercial property insurance amounted to RMB710 million, representing a year-on-year decrease of 2.1%. We integrated platform resources within the Group, took full advantage of the technical strengths of professionals in various fields, and undertook four new projects with an insured amount of more than RMB10 billion as chief insurance underwriter. Meanwhile, we innovated and developed products to help small and micro enterprises resume work and production during the COVID-19 Pandemic. Adhering to our core strategy, we further focused on key national themes such as enterprises going global through the Belt and Road Initiative, large-scale clean energy projects and “Insurance + Services”.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis by Business Channel

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

*Unit: in RMB millions, except for percentages*

Business channel	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	15,263	59.9	14,198	58.8
Of which: Individual insurance agents	9,706	38.1	8,291	34.3
Ancillary insurance agencies	1,645	6.5	1,917	8.0
Professional insurance agencies	3,912	15.4	3,990	16.5
Direct sales	8,123	31.9	7,532	31.2
Insurance brokers	2,083	8.2	2,433	10.0
<b>Total</b>	<b>25,469</b>	<b>100.0</b>	<b>24,163</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis by Region

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

*Unit: in RMB millions, except for percentages*

Region	For the six months ended 30 June			
	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	4,429	17.4	4,064	16.8
Zhejiang	2,101	8.2	1,753	7.3
Yunnan	1,833	7.2	1,484	6.1
Shandong	1,359	5.3	1,253	5.2
Inner Mongolia	1,156	4.5	1,035	4.3
Jiangxi	996	3.9	863	3.6
Henan	927	3.6	839	3.5
Guangdong	887	3.5	1,075	4.4
Hunan	799	3.1	757	3.1
Chongqing	797	3.1	612	2.5
Others	10,185	40.0	10,428	43.2
<b>Total</b>	<b>25,469</b>	<b>100.0</b>	<b>24,163</b>	<b>100.0</b>

## Combined Ratio

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

	For the six months ended 30 June	
	2020	2019
Loss ratio (%)	57.84	54.19
Expense ratio (%) <sup>1</sup>	44.09	45.67
<b>Combined ratio (%)</b>	<b>101.93</b>	<b>99.86</b>

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

For the six months ended 30 June

	2020	2019	Change (%)
Gross written premiums	25,763	24,379	5.7
Less: premiums ceded to reinsurers	(2,696)	(2,137)	26.2
Net written premiums	23,067	22,242	3.7
Changes in unearned premium reserves	(1,466)	(2,823)	(48.1)
Net premiums earned	21,601	19,419	11.2
Reinsurance commission income	930	712	30.6
Investment income	1,566	1,004	56.0
Exchange gains, net	29	1	2,800.0
Other income	691	358	93.0
Total income	24,817	21,494	15.5
Claims and policyholders' benefits	(12,542)	(10,514)	19.3
Handling charges and commissions	(3,434)	(3,035)	13.1
Finance costs	(90)	(84)	7.1
Other operating and administrative expenses	(7,717)	(6,981)	10.5
Total benefits, claims and expenses	(23,783)	(20,614)	15.4
Share of profits of associates	1	112	(99.1)
Profit before tax	1,035	992	4.3
Income tax	(237)	(152)	55.9
Net profit	798	840	(5.0)

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 5.7% from RMB24,379 million in the first half of 2019 to RMB25,763 million in the first half of 2020, mainly due to the growth of motor insurance business and rapid growth of non-motor insurance businesses including personal loan surety insurance, cargo insurance, etc.

## Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment increased by 26.2% from RMB2,137 million in the first half of 2019 to RMB2,696 million in the first half of 2020, mainly due to the relatively rapid growth in non-motor insurance businesses which led to a corresponding increase in premiums ceded to reinsurers.

## Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 30.6% from RMB712 million in the first half of 2019 to RMB930 million in the first half of 2020, 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 56.0% from RMB1,004 million in the first half of 2019 to RMB1,566 million in the first half of 2020. 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 19.3% from RMB10,514 million in the first half of 2019 to RMB12,542 million in the first half of 2020, mainly due to the rise of loss ratio for certain non-motor insurance businesses as a result of the COVID-19 Pandemic.

## Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 13.1% from RMB3,035 million in the first half of 2019 to RMB3,434 million in the first half of 2020, mainly due to effective implementation of the "Non-motor" development strategy which led to a further climb in the share of premium income from the non-motor insurance businesses.

## Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 5.0% from RMB840 million in the first half of 2019 to RMB798 million in the first half of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## ASSET MANAGEMENT BUSINESS

In the first half of 2020, due to the severe impact of the COVID-19 Pandemic, global economy experienced phased recession while financial markets became more volatile amidst increasing uncertainty and instability. Under normalised pandemic prevention and control, domestic economy and social order restored in an orderly manner, and the economy still remained resilient with new drivers of development continuing growing. In the first half of the year, domestic stock markets and overseas markets showed differentiation in that the former performed significantly better than the latter; bond yields first declined and then rose, showing increased volatility.

As at the end of the Reporting Period, balance of assets under the management of the Group amounted to RMB312,902 million, of which the balance of total investment assets of the Group was RMB290,736 million, representing an increase of 11.0% from the end of the previous year; the balance of investment assets under the management of China Re AMC was RMB256,209 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment Portfolio

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

*Unit: in RMB millions, except for percentages*

Investment assets	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	16,930	5.8	20,262	7.7
Fixed-income investments	216,410	74.5	182,555	69.7
Time deposits	16,271	5.6	3,907	1.5
Bonds	130,599	45.0	113,658	43.4
Government bonds	11,221	3.9	8,972	3.5
Financial bonds	19,998	6.9	19,723	7.5
Enterprise (corporate) bonds	91,578	31.5	75,729	28.9
Subordinated bonds	7,802	2.7	9,234	3.5
Investments classified as loans and receivables	43,539	15.0	43,727	16.7
Other fixed-income investments <sup>1</sup>	26,001	8.9	21,263	8.1
Equity and investment funds	53,579	18.4	48,139	18.4
Investment funds <sup>2</sup>	24,847	8.6	21,565	8.3
Stocks	20,487	7.0	18,589	7.1
Embedded derivatives	–	–	40	0.0 <sup>5</sup>
Unlisted equity shares <sup>3</sup>	8,245	2.8	7,945	3.0
Other investments	32,613	11.2	32,365	12.4
Investments in associates	24,353	8.4	24,062	9.2
Others <sup>4</sup>	8,260	2.8	8,303	3.2
Less: securities sold under agreements to repurchase	(28,796)	(9.9)	(21,488)	(8.2)
<b>Total investment assets</b>	<b>290,736</b>	<b>100.0</b>	<b>261,833</b>	<b>100.0</b>

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

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

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

4. Including investment properties, currency swaps, etc.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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In terms of investment management, by adhering to the philosophy of value investment and long-term investment while insisting on the strategy of seeking progress in stability and balanced configuration, we continued to optimise our asset allocation structure and flexibly responded to the complicated economic and financial situation in a low interest rate environment. In terms of fixed income investment, we made great efforts to play the role of a “ballast” by flexibly capturing the allocation pattern and duration strategy to increase our allocation of high-grade assets such as bank deposits, local government bonds, policy bank bonds and high-quality financial products to secure stable sources of income. For equity investment, we continued to leverage the long-term capital advantage of insurance funds by holding additional products with long-term investment value and higher dividend yield, deployed projects of high-quality unlisted equities and funds, and actively seized opportunities of highly volatile markets to optimise our position structure and secure excess investment returns.

In terms of risk management, (1) we optimised online operation and risk monitoring during the period of the pandemic to ensure agile response to risks while maintaining stable operation; (2) we paid close attention to the impact of the pandemic and the change in financial markets, utilised scenario analysis and stress testing, strengthened monitoring and early warning of market risk exposure to prevent market risks and liquidity risks caused by significant market fluctuations, and enhanced the ability to respond to extremely risky conditions; (3) we kept refining our credit risk management mechanism, strengthening penetrative risk management of major projects before and after investment, and improving the prospective, pertinent and effective risk management; (4) we strengthened concentration management of investments and strictly controlled large risk exposures; and (5) we continued to improve the investment risk management mechanism, enhanced the risk assessment system, consolidated the comprehensive risk management structure for “full coverage, whole course management and whole staff engagement”. Currently, overall risks are stable and controllable.

# MANAGEMENT DISCUSSION AND ANALYSIS

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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, 30 July 2019 and 20 December 2019, respectively.

In the first half of 2020, China Everbright Bank recorded stable 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% equity interest in China Everbright Bank in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

Against the backdrop of the COVID-19 Pandemic coupled with downward growth rate of the macro-economy, the size of new business for acquisition of non-performing assets by Great Wall Asset has slowed down compared with previous years, but it has recently tended to return to normal gradually with improvement in the status of the pandemic. Going forward, Great Wall Asset will firmly focus on the business philosophy of resolving financial risks and supporting the real economy to increase business expansion along with improving efficiency. It is expected to create stable returns for shareholders in the future. As of the end of the Reporting Period, China Re P&C and China Continent Insurance respectively held 3.64% and 2.86% equity interest in Great Wall Asset, that is China Re Group held 6.5% of Great Wall Asset's equity share in aggregate.

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 at a consideration of approximately RMB3,085 million, payable in cash. The property is Building No. 1 (the address is 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 six months ended 30 June	
	2020	2019
Cash and fixed-income investments	4,515	4,305
Interest income	4,718	4,241
Realised gains	85	54
Unrealised (losses)/gains	(182)	10
Impairment losses	(106)	–
Equity and investment funds	2,224	818
Dividend income	686	628
Realised gains/(losses)	1,702	(144)
Unrealised gains	49	485
Impairment losses	(213)	(151)
Other investments	1,086	1,224
Net investment income from investment in associates	815	1,158
Other gains <sup>1</sup>	271	66
Less: interest expenses on securities sold under agreements to repurchase	(260)	(188)
Total investment income <sup>2</sup>	7,565	6,159
Annualised total investment yield (%) <sup>2</sup>	5.48	5.19
Net investment income <sup>3</sup>	6,407	6,027
Annualised net investment yield (%) <sup>3</sup>	4.64	5.07

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

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

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

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 income = interest income + dividend income + rental income + share of profits of associates;

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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In the first half of 2020, the Group's total investment income was RMB7,565 million, representing a year-on-year increase of 22.8%, and the net investment income was RMB6,407 million, representing a year-on-year increase of 6.3%. 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 and the accumulation of investment income; and (2) the active seizure of the opportunity of capital market volatility to obtain excess investment income, while benefiting from the recovery of the A-share capital market and the good performance of the investment income of public market varieties. The annualised total investment yield was 5.48%, representing a year-on-year increase of 0.29 percentage points, and the annualised net investment yield was 4.64%, representing a year-on-year decrease of 0.43 percentage points.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## INSURANCE INTERMEDIARY BUSINESS

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and its subsidiary, Huatai Surveyors & Adjusters Company. In the first half of 2020, against a general environment of intensifying competition and tightening regulatory policies in the insurance intermediary market, we insisted on our general strategy of “market-oriented development, institutionalised management and professional service” with channels as the core, collaboration as the booster and innovation as the driving force, continuously promoting our “Going Out” marketing strategy, synergetic development, innovative development and refined management. Facing the impact of the COVID-19 Pandemic on business development, we coordinated our efforts in pandemic prevention and operation management, and carried out the “Fight the ‘Pandemic’ • Sprint for ‘6.30’ (戰「疫」行動 • 衝刺「6.30」)” activities, realising quick rebound and ongoing improvement in business development.

In the first half of 2020, revenue from insurance intermediary business amounted to RMB162 million, representing a year-on-year decrease of 6.4%. Profit before tax amounted to RMB2.46 million, representing a year-on-year increase of 17.7%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SOLVENCY

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

	30 June 2020	31 December 2019	Change (%)
<i>Unit: in RMB millions, except for percentages</i>			
<b>China Re Group</b>			
Core capital	92,933	88,316	5.2
Available capital	101,929	97,311	4.7
Minimum capital	53,194	46,579	14.2
Core solvency adequacy ratio (%)	175	190	Decrease of 15 percentage points
Aggregated solvency adequacy ratio (%)	192	209	Decrease of 17 percentage points
<b>Group Company</b>			
Core capital	70,037	72,497	(3.4)
Available capital	70,037	72,497	(3.4)
Minimum capital	14,650	12,917	13.4
Core solvency adequacy ratio (%)	478	561	Decrease of 83 percentage points
Aggregated solvency adequacy ratio (%)	478	561	Decrease of 83 percentage points
<b>China Re P&amp;C</b>			
Core capital	20,956	20,084	4.3
Available capital	24,955	24,083	3.6
Minimum capital	11,784	11,025	6.9
Core solvency adequacy ratio (%)	178	182	Decrease of 4 percentage points
Aggregated solvency adequacy ratio (%)	212	218	Decrease of 7 percentage points
<b>China Re Life</b>			
Core capital	33,760	26,253	28.6
Available capital	38,757	31,250	24.0
Minimum capital	18,135	14,691	23.4
Core solvency adequacy ratio (%)	186	179	Increase of 7 percentage points
Aggregated solvency adequacy ratio (%)	214	213	Increase of 1 percentage point
<b>China Continent Insurance</b>			
Core capital	26,913	26,226	2.6
Available capital	26,913	26,226	2.6
Minimum capital	7,695	7,063	8.9
Core solvency adequacy ratio (%)	350	371	Decrease of 22 percentage points
Aggregated solvency adequacy ratio (%)	350	371	Decrease of 22 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 solvency-related data as at 30 June 2020 has not been audited or reviewed by the Company's auditors.
4. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group were all in compliance with the regulatory requirement regarding their respective solvency. Compared with the end of 2019, the consolidated solvency adequacy ratio of China Re Group decreased, mainly due to the overall increased business of the Group. In particular, the solvency adequacy ratio of the Group Company had a relative large decrease mainly due to the changes in the retrocession arrangement within the Group. 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 growth.

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)》), the “Summary of Solvency Reports” as of the end of the second quarter of 2020 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 second quarter of 2020:

Indicators	Entity			
	Group Company	China Re P&C	China Re Life	China Continent Insurance
<i>Unit: in RMB millions</i>				
<b>As at 30 June 2020</b>				
Net assets	57,971	20,996	18,504	28,017
<b>For the six months ended 30 June 2020</b>				
Insurance income	3,678	20,696	45,492	25,763
Net profit	480	741	1,132	765

- Notes: 1. As the consolidated scope is larger than these four companies and affected by offsetting factors when calculating the consolidated net profit of the Group, the consolidated net profit of the Group is not equal to the sum of net profits of these four companies.
2. The relevant data as at 30 June 2020 in the Summary of Solvency Reports of the Group Company, China Re P&C, China Re Life and China Continent Insurance is the same as the data submitted to the CBIRC, which is not audited or reviewed by the auditors of the Company.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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## EXCHANGE RATE FLUCTUATION RISK

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We control the adverse impacts of the fluctuations of exchange rates through enhancing management of the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments appropriately. As at 30 June 2020, the Group held currency swaps of RMB500 million (31 December 2019: RMB411 million).

## DETAILS OF ASSETS CHARGED AND BANK BORROWINGS

As at 30 June 2020, the bonds with a carrying amount of RMB28,796 million (31 December 2019: RMB26,421 million) were deposited in the collateral pool for the securities sold under agreements to repurchase by the Group. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

As at 30 June 2020, the Group held an unsecured short-term borrowing of GBP20 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year; and unsecured short-term borrowings of RMB30 million and RMB70 million with a coupon rate of 4.5% and 8.5%, respectively, which will be repayable within one year.

As at 30 June 2020, 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 30 June 2020, the Group had issued the following guarantees:

As at 30 June 2020, the Group Company provided maritime guarantee of RMB2,661 million (31 December 2019: RMB2,937 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

As at 30 June 2020, the Group Company provided letter of credit for Lloyd's to support China Re Syndicate 2088's underwriting business of GBP100 million (31 December 2019: GBP100 million).

As at 30 June 2020, CRIH provided letter of credit for Lloyd's to support Syndicate 1084 and Syndicate 1176's underwriting business of GBP300 million (31 December 2019: GBP300 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

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## EMPLOYEES

As of 30 June 2020, China Re Group had a total of 70,248 employees. The Group's staff remuneration comprises three components, namely basic salary, performance bonus and benefits and subsidies. We always uphold the guidance of "combining the market practice with the real situation of China Re", follow the distribution concept of "giving priority to the front-line staff, the front office staff, the core backbones and the best-performing staff", and have established a fair, competitive and motivating remuneration system. We have established an enterprise annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits, which plays an important role in attracting, motivating and retaining talents.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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## MAJOR EVENTS

### Material Connected Transactions

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

In addition, the related-party transactions set out in Note 38 to the financial statements do not constitute the connected transactions under the Hong Kong Listing Rules. Therefore, they do not need to comply with the requirements of reporting, announcement or independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

### Use of Proceeds

The Company's shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on 26 October 2015. The total proceeds from the initial public offering (including the partial exercise of the over-allotment option as stated in the Prospectus) amounted to approximately HKD16,392 million. As of 30 June 2020, 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 of initial public offering and general corporate purposes; and
- (3) HKD1,568 million was used to pay the consideration for acquisition of subsidiaries by the Company.

During the Reporting Period, the Company has not utilised the proceeds.

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 (equivalent to approximately HKD111 million if calculated at the central parity rate of Renminbi against SGD and Hong Kong dollars as announced by the State Administration of Foreign Exchange on 30 June 2020) 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 used for the purposes as disclosed in the Prospectus, which are continuously supporting the Company's solvency and international rating to uphold business development. Considering the capital and operation conditions of the Company, currently there is no specific utilisation plan for the remaining proceeds.

### Undertakings of the Company and Controlling Shareholder Given or Effective during the Reporting Period

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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## PROSPECTS

China Re Group will adhere to the drivers of “platform operation, technology advancement and globalisation”, implement the operation policy of “stabilising growth, adjusting structure, controlling risk, and increasing profitability” and actively cope with the new market changes and new regulatory requirements while striving to intensify refined management and technology empowerment so as to achieve high-quality development.

For the P&C reinsurance business, we will continue to facilitate the transformation and upgrading of our operating mode, optimise the customer service system and vigorously promote technology empowerment and innovation driven development. We will strengthen our advantages in traditional businesses, expand the business deployment in emerging fields, actively cultivate and develop new businesses and put effort in creating new growth momentum. We will also establish a reinsurance ecosystem, expand the industrial chain and cooperation network and enhance our development capabilities. We will adhere to being customer-centric, enhance the promotion of customised and professional service solutions and improve our customer service standard and quality. We will also facilitate the in-depth integration of overseas business, enhance domestic and overseas business collaboration and strengthen international business risk management to promote the high-quality development of overseas business. We will continuously facilitate the technology upgrade of catastrophe modeling framework and promote its commercial application, expand the application of artificial intelligence and blockchain technology in operation and management and continuously improve the innovation ability of technology application.

For the life and health reinsurance business, we will adhere to our strategic focus, actively promote supply-side reforms such as products and services by focusing on major development opportunities such as the digital transformation of the industry, health insurance development and health industry integration, carefully evaluate business development strategies in a low interest rate environment, and actively pay attention to industry policies and risk events. Focusing on “Data+” and “Product+”, we will vigorously expand business scale of the protection-type business, explore policy opportunities such as new critical illnesses and long-term medical care, innovate and upgrade product development and service integration, as well as continue to strengthen risk prevention and management to ensure high-quality development of the protection-type business. We will strictly control operating cost, enhance the asset-liability management, utilise our advantages of “(domestic and overseas) dual-markets” and “(business and investment) dual-platforms” to achieve the collaborative development of savings-type reinsurance business in domestic and overseas markets. We will meet our customers’ needs, manage the existing business and develop new business, and develop the financial reinsurance business with innovative solutions under the principles of risk control and priority to benefit.

# MANAGEMENT DISCUSSION AND ANALYSIS

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For the primary P&C insurance business, we will continuously optimise product structure, improve efficiency, reduce costs to further consolidate our market position. In respect of the motor insurance, we will continuously put efforts in the technology empowerment and refined management, actively respond to the comprehensive reform of motor insurance, optimise the renewal and claims process, strengthen the cost management and control and improve the business quality. In respect of the non-motor insurance, we will enhance operation capabilities, strengthen risk management and control, continue to deepen the “Non-motor” strategy, strive to make breakthroughs and achieve balanced development in policy-related and profitable insurance types. We will further promote the “China Continent Super APP” customer online application platform 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 strategic 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 professionalisation, marketisation and internationalisation to comprehensively enhance our strategic positioning, asset and liability synergy and institutionalised investment capabilities. We will 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 optimise the dynamic asset allocation mechanism and strengthen the refined management of various types of assets. Sticking to comprehensive risk management, we will improve our risk assessment system and enhance our capabilities to cope with extreme risks. We will keep tapping 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.



# OTHER INFORMATION

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## CORPORATE GOVERNANCE

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

## SECURITIES TRANSACTIONS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

## OTHER INFORMATION

Name of shareholders	Nature of interest and capacity	Class	Number of shares	Approximate percentage of interests of the Company (%)	Approximate percentage of relevant class of shares of the Company (%)
Central Huijin Investment Ltd.	Beneficial owner	Domestic share	30,397,852,350 (Long position)	71.56	84.91
Ministry of Finance of the PRC	Beneficial owner	Domestic share	4,862,285,131 (Long position)	11.45	13.58
Great Wall Pan Asia International Investment Co., Ltd.	Beneficial owner	H share	431,050,000 (Long position)	1.01	6.45
BlackRock, Inc.	Interest of controlled corporations	H share	413,956,365 (Long position)	0.97	6.20

- Notes: 1. The information disclosed above was mainly based on the information provided on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
2. According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
3. Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.
4. BlackRock, Inc. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as at the end of the Reporting Period, to the knowledge of the Directors, no other person (other than the Directors, Supervisors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which are required to be disclosed or recorded in the register to be kept by the Company under Section 336 of the SFO.

# OTHER INFORMATION

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

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

## CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

### Changes of Directors and Their Information

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

### Changes of Supervisors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Zhang Hong	Chairman of the Board of Supervisors, Supervisor	Nil	Ceased to be the Chairman of the Board of Supervisors and Supervisor since July 2020.

For details of Mr. Zhang Hong's cessation, please refer to the announcement of the Company dated 13 July 2020.

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

### Changes of Senior Management and Their Information

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

## REVIEW OF INTERIM REPORT

The Group's 2020 interim financial information prepared under International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers. The Group's interim report has been reviewed by the Audit Committee of the Board.



To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

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

China Reinsurance (Group) Corporation (the "Group Company", the "Company") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to quantify and report on embedded value of the Group Company's and its subsidiaries' ("China Re Group", the "Group") life and health reinsurance business, covering the life and health reinsurance business of the Group Company and all business of China Life Reinsurance Company Limited ("China Re Life") and China Reinsurance (Hong Kong) Company Limited ("China Re HK") ("the Covered Business") as at 30 June 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Consulting", "we").

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

### Scope of Work

The scope of our work is summarised as follows:

- Quantifying embedded value of China Re Group as at 30 June 2020;
- Quantifying value of one year's new business underwritten by the Group during the 12 months prior to 30 June 2020;
- Reviewing the assumptions used for embedded value and value of one year's new business valuation as at 30 June 2020;
- Performing sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions.

# EMBEDDED VALUE

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## Basis of Report, Reliance and Limitation

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

In performing our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 30 June 2020.

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

On behalf of

**Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch**

**Eric Lu**  
FIAA, FCAA

**Yu Jiang**  
FSA, FCAA

## 1. Definitions and Methodology

### 1.1 Definitions

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

- Embedded Value (“EV”): this is the sum of the adjusted net worth and value of in-force business less the cost of required capital as at the valuation date;
- Adjusted Net Worth (“ANW”): this is the fair value of assets attributable to shareholders in excess of liabilities of the Covered Business as at the valuation date;
- Value of In-force Business (“VIF”): this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- Cost of Required Capital (“CoC”): this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- Value of One Year’s New Business (“1-year VNB”): this is equal to the present value as at the policy issue dates of the future cash flows attributable to shareholders from the business accepted during the 12 months prior to the valuation date and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of the business accepted.

# EMBEDDED VALUE

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## 1.2 Methodology

Based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” issued by the China Association of Actuaries (“CAA”) in November 2016 and industry practice for publicly listed companies in Hong Kong, we determined the embedded value and the value of one year’s new business.

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

Since the Group does not hold 100% of all companies within it, ANW has excluded minority interests. As China Re Life and China Re HK are 100% owned by the Group, all of those VIF are included in the reported EV valuation results.

The adjusted net worth at the valuation date is defined as the sum of below two items:

- Net asset value of China Re Group on a consolidated basis with allowance for the reserve difference between PRC GAAP basis and EV basis for the Covered Business;
- The asset value adjustments, which reflect the after-tax difference of market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

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

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

# EMBEDDED VALUE

## 2. Results Summary

The embedded value and value of one year's new business results as at 30 June 2020 and the corresponding results as at prior valuation date are summarised as below:

**Table 2.1 EV as at 30 June 2020 and 31 December 2019**

*(Unit: in RMB millions)*

Valuation Date	30 June 2020	31 December 2019
<b>Embedded Value</b>		
Adjusted Net Worth	93,102	91,031
Value of In-force Business before CoC	13,900	10,880
Cost of Required Capital	(4,692)	(3,458)
Value of In-force Business after CoC	9,208	7,422
Embedded Value	102,310	98,453
Of which:		
ANW of the life and health reinsurance business	22,396	20,462
VIF after CoC of the life and health reinsurance business	9,042	7,259
EV of the life and health reinsurance business	31,438	27,721

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 and China Re HK, which accounts for more than 99.5% of total life and health reinsurance business. The same applies in the tables below.

**Table 2.2 1-year VNB for the 12 months up to 30 June 2020 and 31 December 2019**

*(Unit: in RMB millions)*

Valuation Date	30 June 2020	31 December 2019
<b>Value of One Year's New Business of the life and health reinsurance business</b>		
Value of One Year's New Business before CoC	3,179	2,865
Cost of Required Capital	(1,203)	(647)
Value of One Year's New Business after CoC	1,975	2,219



# EMBEDDED VALUE

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## 3. Assumptions

The key assumptions used for the life and health reinsurance business of the Group Company and China Re Life as at 30 June 2020 are the same as those used in 2019 year-end valuation.

The key assumptions used for the life and health reinsurance business of China Re HK as at 30 June 2020 are determined based on recent experience analysis results, and with reference to the life and health insurance market experience, economic environment and tax policies in the Hong Kong market. The investment return rates and tax assumptions used for the value of in-force business and value of one year's new business for China Re HK as at 30 June 2020 are summarised as below, while the other valuation assumptions are consistent with those used for the Group Company and China Re Life.

### 3.1 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 for China Re HK as at 30 June 2020:

**Table 3.1.1 Assumption of investment return rates used for VIF and 1-year VNB valuation for China Re HK as at 30 June 2020**

	2020	2021	2022	2023-2029	2030+
Life and health reinsurance business of China Re HK	4.3%	4.3%	4.3%	4.3%	4.3%

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

### 3.2 Tax

Currently, corporate income tax is assumed to be 8.25% of taxable profit in Hong Kong. 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 30 June 2020. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Table 4.1 Sensitivity test results of VIF and 1-year VNB as at 30 June 2020

*(Unit: in RMB millions)*

Scenarios	VIF after CoC	1-year VNB after CoC
Base Scenario	9,042	1,975
Risk discount rate increased by 100 basis points	8,194	1,730
Risk discount rate decreased by 100 basis points	9,992	2,246
Annual investment return rates increased by 50 basis points	10,491	2,381
Annual investment return rates decreased by 50 basis points	7,587	1,568
Mortality and morbidity rates increased by 10%	8,985	1,974
Mortality and morbidity rates decreased by 10%	9,101	1,977
Discontinuance rates increased by 10%	8,861	1,931
Discontinuance rates decreased by 10%	9,228	2,022
Expenses increased by 10%	8,886	1,924
Expenses decreased by 10%	9,199	2,027
Combined ratio of short-term reinsurance contracts increased by 1 percentage point on absolute basis	8,618	1,846
Combined ratio of short-term reinsurance contracts decreased by 1 percentage point on absolute basis	9,458	2,093

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 59 to 120, which comprises the interim condensed consolidated statement of financial position of China Reinsurance (Group) Corporation (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 August 2020

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Gross written premiums	5	102,123,295	84,771,557
Less: Premiums ceded to reinsurers and retrocessionaires	5	(7,799,823)	(5,959,943)
Net written premiums	5	94,323,472	78,811,614
Changes in unearned premium reserves		(5,243,082)	(5,729,204)
Net premiums earned		89,080,390	73,082,410
Reinsurance commission income		1,583,780	903,957
Investment income	6	6,927,817	5,189,255
Exchange losses, net		(31,127)	(15,012)
Other income	7	1,893,796	878,459
<b>Total income</b>		<b>99,454,656</b>	<b>80,039,069</b>

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Total income</b>		<b>99,454,656</b>	<b>80,039,069</b>
Claims and policyholders' benefits	8	(71,814,702)	(55,914,408)
– Claims incurred		(32,110,170)	(25,973,382)
– Life and health reinsurance death and other benefits paid		(5,502,480)	(17,716,183)
– Changes in long-term life and health reinsurance contract liabilities		(34,202,052)	(12,224,843)
Handling charges and commissions		(14,216,488)	(11,136,890)
Finance costs		(815,698)	(613,306)
Other operating and administrative expenses	9	(10,218,487)	(9,338,892)
<b>Total benefits, claims and expenses</b>		<b>(97,065,375)</b>	<b>(77,003,496)</b>
Share of profits of associates		897,332	1,157,975
<b>Profit before tax</b>	10	<b>3,286,613</b>	<b>4,193,548</b>
Income tax	11	(537,242)	(577,480)
<b>Profit for the period</b>		<b>2,749,371</b>	<b>3,616,068</b>
<b>Attributable to:</b>			
Equity shareholders of the parent		2,467,421	3,319,727
Non-controlling interests		281,950	296,341
<b>Profit for the period</b>		<b>2,749,371</b>	<b>3,616,068</b>
<b>Earnings per share (in RMB)</b>	13		
– Basic		0.06	0.08
– Diluted		0.06	0.08

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Profit for the period</b>	<b>2,749,371</b>	<b>3,616,068</b>
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	2,986	(9)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, after tax	(14,123)	6,258
Available-for-sale financial assets, after tax	208,646	2,519,864
Exchange differences on translation of financial statements of foreign operations	106,394	22,525
Other comprehensive income for the period after tax	303,903	2,548,638
<b>Total comprehensive income for the period</b>	<b>3,053,274</b>	<b>6,164,706</b>
Attributable to:		
Equity shareholders of the parent	2,820,530	5,678,803
Non-controlling interests	232,744	485,903
<b>Total comprehensive income for the period</b>	<b>3,053,274</b>	<b>6,164,706</b>

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Assets</b>			
Cash and short-term time deposits	14	16,930,276	20,262,473
Financial assets at fair value through profit or loss	15	14,371,395	11,856,246
Derivative financial instruments		499,873	411,129
Financial assets held under resale agreements		5,269,035	2,981,215
Premiums receivable	16	17,496,131	14,755,963
Reinsurance debtors	17	84,941,293	55,939,565
Investment contracts receivable	18	8,198,807	3,433,251
Reinsurers' share of insurance contract liabilities	30	22,544,964	18,173,603
Reinsurers' share of policy loans		530,124	503,744
Time deposits	19	16,270,593	3,907,342
Available-for-sale financial assets	20	139,736,444	117,402,385
Held-to-maturity investments	21	33,049,515	34,593,283
Investments classified as loans and receivables	22	43,538,937	43,726,769
Statutory deposits	24	17,223,184	15,723,184
Investment properties		7,759,359	7,891,771
Property and equipment		2,924,293	3,007,394
Right-of-use assets		1,318,125	1,176,562
Intangible assets		2,261,463	2,267,111
Investments in associates	25	24,353,296	24,061,529
Goodwill		1,642,316	1,635,695
Deferred tax assets		1,760,786	1,314,116
Other assets	26	14,786,545	11,614,058
<b>Total assets</b>		<b>477,406,754</b>	<b>396,638,388</b>

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Short-term borrowings	27	274,720	732,349
Securities sold under agreements to repurchase		28,795,775	21,487,751
Reinsurance payables	28	25,153,930	17,947,144
Income tax payable		951,843	1,353,982
Policyholders' deposits		5,689,253	2,839,974
Investment contract liabilities	29	29,116,011	22,066,813
Insurance contract liabilities	30	241,353,035	191,637,068
Notes and bonds payable	31	19,559,562	19,390,012
Long-term borrowings	32	3,879,555	3,821,130
Lease liabilities		1,209,971	1,117,491
Deferred tax liabilities		2,338,111	1,860,121
Other liabilities	33	20,922,837	15,406,564
<b>Total liabilities</b>		<b>379,244,603</b>	<b>299,660,399</b>
<b>Equity</b>			
Share capital	34	42,479,808	42,479,808
Reserves		23,310,927	22,957,818
Retained profits		22,296,975	21,698,666
Total equity attributable to equity shareholders of the parent		88,087,710	87,136,292
Non-controlling interests		10,074,441	9,841,697
<b>Total equity</b>		<b>98,162,151</b>	<b>96,977,989</b>
<b>Total liabilities and equity</b>		<b>477,406,754</b>	<b>396,638,388</b>

Approved and authorized for issue by the Board of Directors on 28 August 2020.

Yuan Linjiang  
Director

He Chunlei  
Director

Tian Meipan  
Chief Actuary

The accompanying notes on pages 68 to 120 form part of the interim financial information.



# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent												
	Note	Reserves										Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation	Fair value reserve	Exchange reserve	Retained profits	Subtotal		
As at 31 December 2019 (Audited)	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	
Profit for the period	-	-	-	-	-	-	-	-	2,467,421	2,467,421	281,950	2,749,371	
Other comprehensive income	-	-	-	-	-	2,986	243,729	106,394	-	353,109	(49,206)	303,903	
<b>Total comprehensive income</b>	-	-	-	-	-	2,986	243,729	106,394	2,467,421	2,820,530	232,744	3,053,274	
Distributions to shareholders of the parent	12	-	-	-	-	-	-	-	(1,869,112)	(1,869,112)	-	(1,869,112)	
As at 30 June 2020 (Unaudited)	42,479,808	10,725,376	2,288,028	5,380,024	9,968	17,260	4,776,225	114,046	22,296,975	88,087,710	10,074,441	98,162,151	

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent												
	Note	Reserves										Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal		
As at 31 December 2018 (Audited)	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	154,428	(26,702)	18,254,471	78,281,201	8,972,616	87,253,817	
Impact of change in accounting policy in associate	-	-	-	-	-	-	145,192	-	(332,575)	(187,383)	(34,918)	(222,301)	
Restated total equity at 1 January 2019	42,479,808	10,724,722	2,021,523	4,690,828	9,968	(27,845)	299,620	(26,702)	17,921,896	78,093,818	8,937,698	87,031,516	
Profit for the period	-	-	-	-	-	-	-	-	3,319,727	3,319,727	296,341	3,616,068	
Other comprehensive income	-	-	-	-	-	(9)	2,336,560	22,525	-	2,359,076	189,562	2,548,638	
<b>Total comprehensive income</b>	-	-	-	-	-	(9)	2,336,560	22,525	3,319,727	5,678,803	485,903	6,164,706	
Distributions to shareholders of the parent	12	-	-	-	-	-	-	-	(1,316,874)	(1,316,874)	-	(1,316,874)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(91,620)	(91,620)	
Others	-	655	-	-	-	-	-	-	-	655	363	1,018	
As at 30 June 2019 (Unaudited)	42,479,808	10,725,377	2,021,523	4,690,828	9,968	(27,854)	2,636,180	(4,177)	19,924,749	82,456,402	9,332,344	91,788,746	

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	25,306,549	8,200,059
Income tax paid	(1,281,964)	(729,131)
<b>Net cash flows generated from operating activities</b>	<b>24,024,585</b>	<b>7,470,928</b>
<b>Investing activities</b>		
Interests received	5,006,784	4,793,959
Dividends received	655,535	512,604
Purchases of property and equipment, investment properties and intangible assets	(155,581)	(1,272,747)
Proceeds from disposals of property and equipment, investment properties and intangible assets	671	58,813
Acquisition of subsidiary, net of cash and cash equivalent acquired	–	(184,474)
Purchases of investments	(107,036,197)	(80,121,352)
Proceeds from disposals of investments	69,119,859	75,349,745
<b>Net cash flows used in investing activities</b>	<b>(32,408,929)</b>	<b>(863,452)</b>

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Financing activities</b>		
Changes in third party investors' interests of consolidated structured entities, net	(557,978)	(529,256)
Proceeds from bank borrowings	200,000	309,611
Cash paid for debt	(624,292)	–
Interests paid	(573,328)	(375,233)
Cash paid for lease liabilities	(222,614)	(254,402)
Dividends paid by subsidiaries to non-controlling interests	–	(91,620)
Net proceeds from securities sold under agreements to repurchase	7,423,535	667,436
<b>Net cash flows generated from/(used in) financing activities</b>	<b>5,645,323</b>	<b>(273,464)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,739,021)</b>	<b>6,334,012</b>
Cash and cash equivalents at the beginning of the period	21,267,582	14,701,860
Effect of foreign exchange rate changes	138,770	93,708
<b>Cash and cash equivalents at the end of the period</b>	<b>18,667,331</b>	<b>21,129,580</b>
Cash and short-term time deposits	16,930,276	20,147,203
Add: Financial assets held under resale agreements with original maturity of no more than three months	5,269,035	2,855,200
Less: Restricted cash and short-term time deposits	(3,531,980)	(1,872,823)
<b>Cash and cash equivalents at the end of the period</b>	<b>18,667,331</b>	<b>21,129,580</b>

The accompanying notes on pages 68 to 120 form part of the interim financial information.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 1 CORPORATE INFORMATION

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

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

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

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

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### (1) Basis of preparation

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

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### (2) Significant accounting policies

- (a) **New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2020**

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform
Revised Conceptual Framework for Financial Reporting	

Adoption of the above standards and amendments does not have a significant impact on the interim financial information.

- (b) **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").

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### (2) Significant accounting policies (continued)

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

#### *IFRS 9 Financial Instruments (continued)*

##### 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### (2) Significant accounting policies (continued)

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

#### *IFRS 9 Financial Instruments (continued)*

The Group concludes that the Group's operation activities are predominantly connected with insurance. The Group decides to apply the temporary exemption for IFRS 9. The Group's major associates, China Everbright Bank Company Limited ("CEB"), applied IFRS 9 from 1 January 2018. The Group decides not to adopt uniform accounting policies for associates in group level.

- (c) 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 2020

#### *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 effective date of IFRS 17 (including amendments) will be deferred to annual reporting periods beginning on or after 1 January 2023; the due date for the temporary exemption from IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023.



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In determining insurance contract liabilities, assumptions such as discount rates, mortality and morbidity, surrender rates, and expense assumptions are applied to long term life and health reinsurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group changed the above assumptions based on current information available as at 30 June 2020 (mainly the risk free discount rate) and updated estimates for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current period's statement of profit or loss. As a result of such changes in assumptions, long term life and health reinsurance contracts liabilities were increased by RMB449 million as at 30 June 2020 and the profit before tax for the six months ended 30 June 2020 was decreased by RMB449 million.

### 4 SEGMENT INFORMATION

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

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

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

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

- 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 and other businesses 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 holding company 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 80% 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2020 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	27,077,618	50,499,695	25,763,015	-	-	(1,217,033)	102,123,295
Less: Premiums ceded to reinsurers and retrocessionaires	(3,046,805)	(3,273,452)	(2,696,005)	-	-	1,216,439	(7,799,823)
Net written premiums	24,030,813	47,226,243	23,067,010	-	-	(594)	94,323,472
Changes in unearned premium reserves	(2,611,160)	(1,163,719)	(1,466,411)	-	-	(1,792)	(5,243,082)
Net premiums earned	21,419,653	46,062,524	21,600,599	-	-	(2,386)	89,080,390
Reinsurance commission income	411,428	699,967	930,076	-	-	(457,691)	1,583,780
Investment income	1,636,699	3,206,538	1,566,055	388,596	137,376	(7,447)	6,927,817
Exchanges gains/(losses), net	894	(127,345)	28,526	42,693	13,471	10,634	(31,127)
Other income	55,256	925,204	691,456	248,619	217,149	(243,888)	1,893,796
<b>Total income</b>	<b>23,523,930</b>	<b>50,766,888</b>	<b>24,816,712</b>	<b>679,908</b>	<b>367,996</b>	<b>(700,778)</b>	<b>99,454,656</b>
- External income	22,551,106	50,701,761	25,405,172	485,981	310,636	-	99,454,656
- Inter-segment income	972,824	65,127	(588,460)	193,927	57,360	(700,778)	-
Claims and policyholders' benefits	(13,622,364)	(45,648,250)	(12,542,421)	-	-	(1,667)	(71,814,702)
- Claims incurred	(13,622,364)	(5,943,718)	(12,542,421)	-	-	(1,667)	(32,110,170)
- Life and health reinsurance death and other benefits paid	-	(5,502,480)	-	-	-	-	(5,502,480)
- Changes in long-term life and health reinsurance contract liabilities	-	(34,202,052)	-	-	-	-	(34,202,052)
Handling charges and commissions	(7,948,865)	(3,294,621)	(3,434,100)	-	-	461,098	(14,216,488)
Finance costs	(301,112)	(217,057)	(89,643)	(189,791)	(18,095)	-	(815,698)
Other operating and administrative expenses	(894,902)	(995,240)	(7,717,230)	(226,371)	(634,969)	250,225	(10,218,487)
<b>Total benefits, claims and expenses</b>	<b>(22,767,243)</b>	<b>(50,155,168)</b>	<b>(23,783,394)</b>	<b>(416,162)</b>	<b>(653,064)</b>	<b>709,656</b>	<b>(97,065,375)</b>
Share of profits of associates	16,151	499,895	1,348	5,972	452,200	(78,234)	897,332
Profit before tax	772,838	1,111,615	1,034,666	269,718	167,132	(69,356)	3,286,613
Income tax	(74,281)	(236,980)	(236,397)	(14,736)	25,152	-	(537,242)
<b>Profit for the period</b>	<b>698,557</b>	<b>874,635</b>	<b>798,269</b>	<b>254,982</b>	<b>192,284</b>	<b>(69,356)</b>	<b>2,749,371</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

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

Note: Investment income of other segments in 2019 includes dividends from subsidiaries of RMB609 million.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

	30 June 2020 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	120,453,658	234,925,385	85,968,606	14,820,928	60,163,373	(38,925,196)	477,406,754
Segment liabilities	(95,493,443)	(209,416,008)	(58,092,410)	(11,475,350)	(11,100,177)	6,332,785	(379,244,603)
	31 December 2019 (Audited)						
	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)

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5 GROSS AND NET WRITTEN PREMIUMS

#### (a) Gross written premiums

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Long-term life and health reinsurance	38,675,897	28,954,193
Short-term life and health reinsurance	11,731,370	9,458,096
Property and casualty reinsurance	23,570,792	19,912,352
Primary property and casualty insurance	28,145,236	26,446,916
<b>Total</b>	<b>102,123,295</b>	<b>84,771,557</b>

#### (b) Premiums ceded to reinsurers and retrocessionaires

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Short-term life and health reinsurance	3,273,452	2,318,486
Property and casualty reinsurance	1,993,250	1,811,997
Primary property and casualty insurance	2,533,121	1,829,460
<b>Total</b>	<b>7,799,823</b>	<b>5,959,943</b>

#### (c) Net written premiums

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Net written premiums</b>	<b>94,323,472</b>	<b>78,811,614</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 INVESTMENT INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest, dividend and rental income (a)	5,509,379	4,868,878
Realised gains/(losses) (b)	1,854,682	(89,952)
Unrealised (losses)/gains (c)	(34,450)	561,548
Negative goodwill arising from investments in associates	186,459	–
Impairment losses on financial assets (d)	(318,866)	(151,219)
Impairment losses on investment in associates (note 25)	(269,387)	–
<b>Total</b>	<b>6,927,817</b>	<b>5,189,255</b>

#### (a) Interest, dividend and rental income

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest income		
Current and time deposits	786,176	633,374
Fixed maturity investment		
– Held-to-maturity investments	879,994	915,633
– Available-for-sale financial assets	1,672,339	1,369,621
– Financial assets at fair value through profit or loss	55,605	35,051
– Investment classified as loans and receivables	1,291,171	1,257,007
Financial assets held under resale agreements	29,712	30,301
Reinsurers' share of policy loans	3,322	–
<b>Subtotal</b>	<b>4,718,319</b>	<b>4,240,987</b>
Dividend income		
Equity securities		
– Available-for-sale financial assets	588,754	502,231
– Financial assets at fair value through profit or loss	58,169	103,030
Others		
– Available-for-sale financial assets	39,177	22,630
<b>Subtotal</b>	<b>686,100</b>	<b>627,891</b>
Rent income from investment properties	104,960	–
<b>Total</b>	<b>5,509,379</b>	<b>4,868,878</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 INVESTMENT INCOME (continued)

#### (b) Realised gains/(losses)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Fixed maturity investment		
– Available-for-sale financial assets	58,915	41,153
– Financial assets at fair value through profit or loss	26,375	12,409
Equity securities		
– Available-for-sale financial assets	1,379,760	(200,769)
– Financial assets at fair value through profit or loss	322,274	57,255
Derivative financial instruments	67,358	–
<b>Total</b>	<b>1,854,682</b>	<b>(89,952)</b>

#### (c) Unrealised (losses)/gains

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Fixed maturity investment		
– Financial assets at fair value through profit or loss	(182,438)	9,970
Equity securities		
– Financial assets at fair value through profit or loss	48,987	485,432
Derivative financial instruments	99,001	66,146
<b>Total</b>	<b>(34,450)</b>	<b>561,548</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 INVESTMENT INCOME (continued)

#### (d) Impairment losses on financial assets

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Fixed maturity investment		
– Investments classified as loans and receivables	(105,990)	–
Equity securities		
– Available-for-sale financial assets	(212,876)	(151,219)
<b>Total</b>	<b>(318,866)</b>	<b>(151,219)</b>

### 7 OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Fee income from investment contracts and insurance related business	1,105,059	421,722
Commission income arising from the tax collection of motor vehicles and vessels	34,162	16,633
Management fee income	67,879	60,318
Gains arising from the disposal of property and equipment	9	50,290
Sale of goods	634,173	283,320
Others	52,514	46,176
<b>Total</b>	<b>1,893,796</b>	<b>878,459</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2020 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	37,050,517	(4,940,347)	32,110,170
– Short-term life and health reinsurance	8,355,266	(2,436,615)	5,918,651
– Property and casualty reinsurance	13,093,454	(426,109)	12,667,345
– Primary property and casualty insurance	15,601,797	(2,077,623)	13,524,174
Life and health reinsurance death and other benefits paid	5,906,738	(404,258)	5,502,480
Changes in long-term life and health reinsurance contract liabilities	34,232,294	(30,242)	34,202,052
<b>Total</b>	<b>77,189,549</b>	<b>(5,374,847)</b>	<b>71,814,702</b>
	Six months ended 30 June 2019 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	29,648,100	(3,674,718)	25,973,382
– Short-term life and health reinsurance	6,885,835	(1,745,151)	5,140,684
– Property and casualty reinsurance	10,476,576	(1,033,379)	9,443,197
– Primary property and casualty insurance	12,285,689	(896,188)	11,389,501
Life and health reinsurance death and other benefits paid	17,839,210	(123,027)	17,716,183
Changes in long-term life and health reinsurance contract liabilities	12,162,402	62,441	12,224,843
<b>Total</b>	<b>59,649,712</b>	<b>(3,735,304)</b>	<b>55,914,408</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Employee costs	2,864,724	2,568,118
Outsourcing costs	1,684,808	1,160,885
Advertising and promotion expenses	1,473,648	1,356,291
Office and travel expenses	414,191	577,674
Interest expenses of policyholders' deposits and investment contracts	625,795	494,458
Rental expenses	86,077	85,269
Consulting and other profession services expenses	437,139	858,784
Depreciation and amortisation	418,259	479,299
Insurance guarantee fund	192,234	189,807
Taxes and surcharges	271,804	274,470
Impairment losses charges	161,117	110,659
Cost of sales of goods	621,521	281,415
Others	967,170	901,763
<b>Total</b>	<b>10,218,487</b>	<b>9,338,892</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 10 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Employee costs (including directors' and supervisors' emoluments) (note)	3,376,053	3,119,784
Depreciation of property and equipment (note)	160,893	138,429
Depreciation of right-of-use assets (note)	211,264	161,581
Depreciation of investment properties	128,990	81,116
Amortisation of intangible assets (note)	90,114	131,482
Rental expenses (note)	93,743	124,276
Impairment losses on investments in associates	269,387	–
Impairment losses on available-for-sale financial assets	212,876	151,219
Impairment losses on investments classified as loans and receivables	105,990	–
Impairment losses on premiums receivable	144,253	104,721
Impairment losses on reinsurance debtors	16,864	5,938

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11 INCOME TAX

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Current income tax		
Charge for the period	591,150	407,304
Adjustments in respect of prior years	11,065	(68,032)
Deferred income tax	(64,973)	238,208
Total	537,242	577,480

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

### 12 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
In respect of previous year:		
2019 final dividend (declared in 2020):		
RMB0.044 per ordinary share	1,869,112	
2018 final dividend (declared in 2019):		
RMB0.031 per ordinary share		1,316,874

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and the six months ended 30 June 2019.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Net profit attributable to the equity shareholders of the parent	2,467,421	3,319,727
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.06	0.08

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2020 and the six months ended 30 June 2019, so the diluted earnings per share were the same as the basic earnings per share.

### 14 CASH AND SHORT-TERM TIME DEPOSITS

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
Cash at banks and on hand	11,170,720	6,536,321
Time deposits with original maturity of no more than three months	3,163,236	11,840,982
Other monetary deposits	2,596,320	1,885,170
Total	16,930,276	20,262,473

As at 30 June 2020, cash and short-term time deposits of RMB3,531,980 thousand (31 December 2019: RMB1,976,106 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Listed</b>		
<b>Fixed maturity investment</b>		
Corporate bonds	3,753,733	2,040,006
<b>Equity securities</b>		
Investment funds	2,449,378	1,444,296
Stocks	795,086	720,246
<b>Sub-total</b>	<b>6,998,197</b>	<b>4,204,548</b>
<b>Unlisted</b>		
<b>Fixed maturity investment</b>		
Government bonds	274,680	291,253
<b>Equity securities</b>		
Investment funds	3,312,666	3,457,687
Embedded derivatives	–	39,800
Structured notes (note)	3,785,852	3,862,958
<b>Sub-total</b>	<b>7,373,198</b>	<b>7,651,698</b>
<b>Total</b>	<b>14,371,395</b>	<b>11,856,246</b>

Note: The structured notes are issued by closed-end funds of which the underlying assets are offshore dollar debt.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 PREMIUMS RECEIVABLE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Premiums receivable	17,986,755	15,102,334
Less: impairment provision	(490,624)	(346,371)
Premiums receivable, net	17,496,131	14,755,963

#### (a) Aging analysis

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months (inclusive)	16,937,664	14,267,296
3 months to 1 year (inclusive)	698,746	574,926
1 to 2 years (inclusive)	206,424	154,953
Over 2 years	143,921	105,159
Total	17,986,755	15,102,334
Less: impairment provision	(490,624)	(346,371)
Net	17,496,131	14,755,963

#### (b) Impairment provision of premiums receivable

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
At the beginning of the period	346,371	211,094
Net charge for the period	144,253	104,721
At the end of the period	490,624	315,815



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 REINSURANCE DEBTORS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Reinsurance debtors	85,090,273	56,071,043
Less: impairment provision	(148,980)	(131,478)
Reinsurance debtors, net	84,941,293	55,939,565

#### (a) Aging analysis

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months (inclusive)	80,980,368	49,535,046
3 months to 1 year (inclusive)	2,570,624	4,499,732
1 to 2 years (inclusive)	805,800	1,404,705
Over 2 years	733,481	631,560
Total	85,090,273	56,071,043
Less: impairment provision	(148,980)	(131,478)
Net	84,941,293	55,939,565

#### (b) Impairment provision of reinsurance debtors

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
At the beginning of the period	131,478	126,718
Charge for the period	16,864	5,938
Exchange difference	638	104
At the end of the period	148,980	132,760

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 INVESTMENT CONTRACTS RECEIVABLE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Investment contracts receivable	8,198,807	3,433,251
Less: impairment provision	–	–
Investment contracts receivable, net	8,198,807	3,433,251
Within 3 months (inclusive)	8,198,807	3,433,251
Total	8,198,807	3,433,251
Less: impairment provision	–	–
Net	8,198,807	3,433,251

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

### 19 TIME DEPOSITS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months (inclusive)	3,084,493	306,960
3 months to 1 year (inclusive)	4,152,523	3,286,453
1 to 2 years (inclusive)	333,577	–
2 to 3 years (inclusive)	3,000,000	313,929
4 to 5 years (inclusive)	5,700,000	–
Total	16,270,593	3,907,342

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Listed</b>		
<b>Fixed maturity investment</b>		
Government bonds	3,936,279	2,517,482
Financial bonds	215,809	516,639
Corporate bonds	37,501,734	23,952,984
Assets backed securities	152,963	164,407
<b>Equity securities</b>		
Investment funds	821,287	1,194,825
Stocks	19,691,563	17,868,420
Perpetual bonds	1,062,600	194,947
<b>Sub-total</b>	<b>63,382,235</b>	<b>46,409,704</b>
<b>Unlisted</b>		
<b>Fixed maturity investment</b>		
Government bonds	6,289,427	6,038,930
Financial bonds	18,815,207	18,239,791
Corporate bonds	26,278,446	24,710,488
Subordinated bonds	484,495	757,074
Other fixed maturity investment	1,763,398	1,695,216
<b>Equity securities</b>		
Investment funds	14,478,080	11,605,699
Unlisted equity investments	6,885,987	6,539,846
Equity investment plans	1,302,854	1,352,182
Products from insurance asset managers	56,315	53,455
<b>Sub-total</b>	<b>76,354,209</b>	<b>70,992,681</b>
<b>Total</b>	<b>139,736,444</b>	<b>117,402,385</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 HELD-TO-MATURITY INVESTMENTS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Listed</b>		
Government bonds	609,539	12,738
Corporate bonds	11,376,111	11,593,422
Sub-total	11,985,650	11,606,160
<b>Unlisted</b>		
Government bonds	111,537	111,254
Financial bonds	966,587	966,692
Corporate bonds	12,668,162	13,432,448
Subordinated bonds	7,317,579	8,476,729
Sub-total	21,063,865	22,987,123
Total	33,049,515	34,593,283

### 22 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Loans	18,382,526	18,420,263
Trust schemes	13,458,922	11,666,591
Debt investment plans	10,055,001	10,694,791
Asset backed securities	1,874,871	2,871,517
Subordinated debts	–	200,000
Less: impairment provision	(232,383)	(126,393)
Total	43,538,937	43,726,769

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 SCOPE OF CONSOLIDATION

(a) Particulars of the Company's primary subsidiaries as at 30 June 2020 are as follows:

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Re P&C	Beijing	Registered share capital of RMB11,482,250,000	100.00%	–	Property and casualty reinsurance, China
China Re Life	Beijing	Registered share capital of RMB8,170,000,000	100.00%	–	Life and health reinsurance, China
China Continent Insurance	Shanghai	Registered share capital of RMB15,115,918,986	64.30%	–	Primary property and casualty insurance, China
China Re AMC	Beijing	Registered share capital of RMB1,500,000,000	70.00%	26.43%	Management of insurance investments, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency")	Beijing	Registered share capital of RMB50,000,000	52.50%	–	Insurance brokerage, risk evaluation and management, China
China Re UK Limited	London	Paid-in capital of GBP300,000	100.00%	–	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	Paid-in capital of GBP18,000,000	100.00%	–	Underwriting agency, UK
China Re Hong Kong Company Limited	Hong Kong	Paid-in capital of USD350,000,000	100.00%	–	Investment Holding, HK
China Re Asset Management (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD100,000,000	–	96.43%	Investment management, HK
China Continent Insurance E-commerce Co.Ltd	Ningbo	Registered share capital of RMB1,200,000,000	–	64.30%	E-commerce, China

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's primary subsidiaries as at 30 June 2020 are as follows: (continued)

Name	Place of Incorporation/ registration	Registered share capital or paid-in capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
China Continent Insurance Agent Co. Ltd	Shanghai	Registered share capital of RMB150,000,000	–	64.30%	Insurance brokerage, China
China Re Catastrophe Risk Management Company Ltd	Chongqing	Registered share capital of RMB100,000,000	–	70.00%	Risk advisory, management consulting, China
China Re International Company Limited	London	Paid-in capital of USD320,000,000	–	100.00%	Investment Holding, UK
CRIH	London	Paid-in capital of USD475,919,560	–	100.00%	Investment Holding, UK
Chaucer Holdings Limited ("Chaucer")	London	Paid-in capital of GBP139,296,892	–	100.00%	Property and casualty reinsurance, Primary property and casualty insurance, UK
China Reinsurance (Hong Kong) Company Limited	Hong Kong	Paid-in capital of HKD2,000,000,000	–	100.00%	Life and annuity reinsurance, HK
CIC	Dublin	Paid-in capital of USD1,000,001	–	100.00%	Specialty insurance, Ireland
CRAH	Sydney	Paid-in capital of USD16,574,495	–	100.00%	Insurance agent, broker services, Australia
China Reinsurance Finance Corporation Limited	Hong Kong	Paid-in capital of HKD60,000,000	–	100.00%	Bond Issue and Investment, HK

Note: As at 30 June 2020, all the Company's primary subsidiaries registered in mainland China are companies with limited liabilities.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 SCOPE OF CONSOLIDATION (continued)

(b) As at 30 June 2020, the Company consolidated the following structured entities:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Re Zhongzai Alternative Equity Fund	RMB1,243,921,311	100.00%	Investment in private equity
China Re Ruiqi Asset Management Product	RMB1,912,598,543	100.00%	Investment in debt/debt investment plan/Trust
China Re Ruiqi 2nd Asset Management Product	RMB30,000,750	100.00%	Investment in debt
China Re Ruitong 1st Asset Management Product	RMB121,151,833	70.10%	Investment in equity
China Re Ruiqi 3rd Asset Management Product	RMB966,826,743	100.00%	Investment in equity
China Re Bairong Shimao Mall Debt Investment Plan	RMB7,460,000,000	91.11%	Investment in loans
China Re Subway Sixteen Equity Investment Plan	RMB7,000,000,000	65.00%	Investment in loans
China Re Fangzheng Hangzhou Real Estate Debt Investment Plans	RMB500,000,000	100.00%	Investment in loans
China Re Tianjin Zhongjia Ecology District Real Estate Debt Investment Plan	RMB1,394,000,000	64.56%	Investment in loans
China Re Zhongye Hengqin Real Estate Debt Investment Plans	RMB1,000,000,000	57.00%	Investment in loans
Huaxin Trust Haorui No. 36 Hongdao Trust Investment Plans	RMB246,239,443	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Xining Trust Investment Plans	RMB252,721,114	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Tongtian Trust Investment Plans	RMB254,936,674	100.00%	Investment in loans
Huaxin Trust Haorui No. 36 Guangde Trust Investment Plans	RMB274,630,211	100.00%	Investment in loans

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 STATUTORY DEPOSITS

In accordance with relevant provision of Insurance Law of the PRC, the Company, China Re P&C, China Re Life and China Continent Insurance should place certain portion of its issued capital as restricted statutory deposits, respectively.

Details of the Group's statutory deposits are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
The Company	8,600,000	8,500,000
China Re P&C	2,500,000	2,300,000
China Re Life	3,100,000	1,850,000
China Continent Insurance	3,023,184	3,073,184
Total	17,223,184	15,723,184

### 25 INVESTMENTS IN ASSOCIATES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Book balance		
– Listed shares (a)	19,571,349	18,944,197
– Unlisted shares	5,051,334	5,117,332
Total	24,622,683	24,061,529
Less: impairment provision (b)	(269,387)	–
Carrying amount	24,353,296	24,061,529



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 INVESTMENTS IN ASSOCIATES (continued)

(a) Particulars of the Group's major associate is as follows:

Name of associate	Place of incorporation and business	Registered capital (in RMB millions)	Principal activities		
CEB	China	52,489	Commercial banking		
			Proportion of ownership interest		
			Group's effective interest	Held by the Company	Held by a subsidiary
<b>30 June 2020</b>			4.42%	1.50%	2.92%
31 December 2019			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. An impairment test is required if there is any indication of impairment.

As at 30 June 2020, the market value of the Group's investment in CEB was RMB6,547 million (31 December 2019: RMB8,005 million).

As at 30 June 2020, the fair value of the Group's investment in CEB had been below the carrying amount. As a result, the Group performed an impairment test on the carrying amount, which confirmed that there was no impairment at 30 June 2020 as the recoverable amount as determined by a value-in-use ('VIU') calculation was higher than the carrying value.

	As at 30 June 2020 (RMB in millions)		
	VIU	Carrying value	Fair value
CEB	15,405	14,107	6,547

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 INVESTMENTS IN ASSOCIATES (continued)

(a) **Particulars of the Group's major associate is as follows (continued):**

The impairment test was performed by comparing the recoverable amount of CEB, determined by a VIU calculation, with its carrying amount. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36. Significant management judgement is required in arriving at the best estimate.

Management used a number of assumptions in VIU calculation:

	As at 30 June 2020	As at 31 December 2019
Discount rate	11.00%	10.60%
Sustainable growth rate	3.00%	3.00%
Capital adequacy ratio	11.50%	11.50%

- (b) In 2020, Huadian Fuxin Energy Corporation limited ("Huadian Fuxin"), an associate owned by the Group, issued a privatization announcement to repurchase all shares at a fixed price. The Group made provision for impairment based on the amount by which the carrying amount of the investment in Huadian Fuxin exceeds its recoverable amount.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 OTHER ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Interest receivables	3,966,593	4,256,083
Deposits retained by other parties	1,940,344	1,761,772
Subscription prepayment for securities and securities clearance receivable	1,526,343	72,952
Investment contract assets	1,309,833	1,618,216
Prepayment for investment	1,000,000	–
Overseas deposits	951,988	951,889
Claims prepaid	758,435	735,627
Tax prepaid	750,069	649,272
Dividend receivable	680,072	11,461
Prepayment for supplier	253,241	280,254
Handling charges prepaid	226,472	227,814
Prepayment for real estate	74,115	5,240
Deferred expenses	52,806	46,882
Others	1,317,762	1,018,035
Total	14,808,073	11,635,497
Less: impairment provision	(21,528)	(21,439)
Net	14,786,545	11,614,058

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 SHORT-TERM BORROWINGS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Short-term borrowings	274,720	732,349
<b>Total</b>	<b>274,720</b>	<b>732,349</b>

As at 30 June 2020, the Group holds an short-term borrowing of GBP20 million with a coupon rate of Libor plus 1.85%, which will be repayable within one year (31 December 2019: GBP75 million); and short-term borrowings of RMB30 million and RMB70 million with a coupon rate of 4.5% and 8.5% respectively, which will be repayable within one year (31 December 2019: RMB30 million and RMB15 million).

### 28 REINSURANCE PAYABLE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Reinsurance payable	25,153,930	17,947,144

#### (a) Aging analysis

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months (inclusive)	21,540,622	13,795,038
3 months to 1 year (inclusive)	2,093,753	3,037,649
1 to 2 years (inclusive)	841,313	514,042
Over 2 years	678,242	600,415
<b>Total</b>	<b>25,153,930</b>	<b>17,947,144</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 INVESTMENT CONTRACT LIABILITIES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
At the beginning of the period	22,066,813	15,809,209
Additions	14,525,485	7,235,772
Payments, surrenders, recaptures	(7,154,476)	(2,797,812)
Fees deducted	(643,779)	(108,888)
Interest credited	321,968	324,532
At the end of the period	29,116,011	20,462,813

### 30 INSURANCE CONTRACT LIABILITIES

	30 June 2020 (Unaudited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	117,686,779	(1,659,719)	116,027,060
Short-term life and health reinsurance contracts			
– Claim reserves	13,420,970	(6,186,054)	7,234,916
– Unearned premium reserves	6,370,666	(560,449)	5,810,217
Property and casualty reinsurance contracts			
– Claim reserves	39,381,854	(5,201,831)	34,180,023
– Unearned premium reserves	14,693,384	(1,375,835)	13,317,549
Primary property and casualty insurance contracts			
– Claim reserves	23,276,106	(5,685,123)	17,590,983
– Unearned premium reserves	26,523,276	(1,875,953)	24,647,323
Total insurance contract liabilities	241,353,035	(22,544,964)	218,808,071

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2019 (Audited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	83,199,299	(1,629,477)	81,569,822
Short-term life and health reinsurance contracts			
– Claim reserves	10,494,164	(4,437,254)	6,056,910
– Unearned premium reserves	5,005,912	(369,763)	4,636,149
Property and casualty reinsurance contracts			
– Claim reserves	37,139,884	(5,075,507)	32,064,377
– Unearned premium reserves	11,614,965	(808,629)	10,806,336
Primary property and casualty insurance contracts			
– Claim reserves	19,714,635	(4,481,176)	15,233,459
– Unearned premium reserves	24,468,209	(1,371,797)	23,096,412
<b>Total insurance contract liabilities</b>	<b>191,637,068</b>	<b>(18,173,603)</b>	<b>173,463,465</b>

### 31 NOTES AND BONDS PAYABLE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bonds payable	8,996,232	8,995,671
Notes payable	10,563,330	10,394,341
<b>Total</b>	<b>19,559,562</b>	<b>19,390,012</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 NOTES AND BONDS PAYABLE (continued)

The following table indicates the balances of notes and corporate bonds issued by the Group:

Issuer	Type	Par value	Coupon rate	Issued year	Maturity
China Reinsurance Finance Corporation Limited	Notes	800 (in USD million)	3.375%	2017	2022
China Reinsurance Finance Corporation Limited	Notes	700 (in USD million)	3.375%	2017	2022
China Re P&C	Capital Supplementary bonds	4,000 (in RMB million)	First 5 years: 4.97% Next 5 years: 5.97% (if not redeemed)	2018	2028
China Re Life	Capital Supplementary bonds	5,000 (in RMB million)	First 5 years: 4.80% Next 5 years: 5.80% (if not redeemed)	2018	2028

### 32 LONG-TERM BORROWINGS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank loans	3,879,555	3,821,130
Total	3,879,555	3,821,130

As at 30 June 2020, the Group holds a long-term borrowings of USD550 million (31 December 2019: USD550 million) with a coupon rate of 4.7%, final maturity date is 28 December 2023.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 OTHER LIABILITIES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Payable to third party investors of consolidated structured entities	4,284,706	4,800,834
Investment contracts payable	3,220,174	590,141
Premiums received in advance	1,959,395	2,220,195
Dividends payable	1,868,901	–
Salaries and welfare payable	1,588,876	1,821,168
Securities clearance payable	1,138,651	233,920
Handling charges and commissions payable	973,436	807,607
Deposits from cedants	692,229	665,696
Interest payable	448,945	222,162
Unallocated cash	444,947	509,274
Property and equipment payables	410,505	345,327
Real estate payable	308,533	308,533
Vehicle and vessel tax withheld	300,929	267,105
Claims payable	227,516	350,875
Taxes payable	187,870	238,137
Defined benefit obligation	158,724	164,301
Traffic accident relief fund	132,563	124,680
Insurance guarantee fund payable	97,400	127,621
Others	2,478,537	1,608,988
<b>Total</b>	<b>20,922,837</b>	<b>15,406,564</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Issued and fully paid ordinary shares of RMB1 each		
– Domestic shares	35,800,391	35,800,391
– H shares	6,679,417	6,679,417
Total	42,479,808	42,479,808

### 35 RISK MANAGEMENT

#### (1) Insurance risk

An insurance policy's risk lies in uncertainty of insured events and the corresponding paid loss. From the perspective of fundamental nature of each policy, the above risk occurs randomly, and the actual paid amount will differ from the estimated data based on statistical methods for each period. For those policy portfolios using probability theory for pricing and reserve estimation, the main risk the Group faces is that the actual payment exceeds the carrying amount of insurance liability, which will occur when the actual loss occurrence or severity exceeds expected values. Such risk is likely to occur in the following situations:

Occurrence risk – the possibility that the number of insured events will differ from that expected;

Severity risk – the possibility that the cost of the events will differ from that expected; or

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

Experience shows that the larger the insurance contracts portfolio of the same nature, the smaller the variability of expected results. In addition, a more diversified portfolio is less likely to be impacted by any sub-portfolio's change. The Group has already established insurance underwriting strategy to diversify underwriting risks, and has maintained a sufficient number of policies for different types of insurance risk. Therefore uncertainty of expected results will be reduced.

For the Group's property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. For the Group's health and accident insurance contracts, infectious diseases, huge lifestyle changes, natural disasters and accidents are all important factors that may increase the loss ratio, which may lead to earlier or more claims than expected. For the Group's life insurance contracts, the most important factor is that continuous improvement of medical standards and social conditions help to extend life expectancy. Furthermore, policyholders' terminating contracts, reducing and refusing to pay premiums also impact insurance risk, which means that insurance risk is affected by policyholders' behaviours and decisions.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (1) Insurance risk (continued)

According to the risk characters, the Group's different departments and subsidiaries manage corresponding insurance risk by determining insurance products' underwriting standards and strategy, and prescribing counterparty risk limits, reinsurance arrangements and claim processing. The Group's assumed insurance liability also incorporates international business underwritten by the former PICC (Group) Company, including asbestos, pollution, health hazard and other potential long-tail risks. Due to such high level of inherent uncertainty in the above business, consisting of relevant payment instability and insurance liability's cognisant uncertainty, the Group cannot completely rule out such significant loss possibilities such as if other reinsurance companies underwrite this kind of business. The Group reduces the uncertainty posted by such business through contacting with ceding companies actively and seeking to settle the liability.

The Group's insurance business mainly comes from Mainland China.

#### (a) Primary property and casualty insurance, property and casualty reinsurance and short-term life and health reinsurance business

When measuring insurance contract reserves, the risk margin has been considered and measured at the 75% percentile approach by the Group. The risk margin for claim reserves falls between 2.5% and 15%, while the risk margin for unearned premium reserves falls between 3.0% and 15%. If the Group's calculated risk margin falls above/below the chosen interval, the Group chooses the upper/lower limit as the risk margin.

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Impact significance depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (1) Insurance risk (continued)

##### (b) Assumptions and sensitivity analysis for life and health insurance contracts

###### *Major assumptions*

Life and health insurance contract reserve is determined by the Group's reasonable estimate of future payments, premiums and related expenses, as well as considering risk margin. Mortality rates, morbidity rates, lapse rates, discount rates and loss adjustment expense assumptions adopted in reasonable estimation are determined by latest experience study, current and future expectations. Uncertainty of liabilities arisen from the uncertainty of future cash flows including future claim payments, premiums and related expenses, etc. are reflected through risk margin.

Residual margin related to life and health insurance contract reserves is amortised during the expected benefit period using assumptions as at policy inception.

#### (2) Financial risk

##### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios. The Group is exposed to credit risks primarily associated with commercial banks, bond issuers, premiums receivable and reinsurance arrangements. Majority of the Group's financial assets are debt investments which include government bonds, financial bonds, corporate bonds with high credit ratings, subordinated bonds, debt investment schemes, trust schemes, wealth management products and time deposits in state-owned commercial banks, etc. As at 30 June 2020, there are material defaults for the two debt investment plans consolidated by the group. The total book balance and interest receivable for the two debt investment plans is RMB8,365 million. The Group performed impairment test, and recorded provision for impairment loss.

###### (i) *Credit risk exposure*

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the interim condensed consolidated statement of financial position. The maximum exposure to credit risk in respect of the financial guarantees of the Group at 30 June 2020 is disclosed in Note 39.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (2) Financial risk (continued)

##### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (interest rate risk), foreign exchange rates (currency risk), and market prices (price risk).

The Group adopts various measures managing market risk, including sensitive analysis, Value-at-Risk (“VaR”), stress testing, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; setting acceptable risk tolerance level according to development goals; and tracking the risk control results dynamically to maintain market risk exposure within acceptable level.

##### (i) Interest rate risk

The Group’s interest rate risk arises primarily from fixed maturity financial instruments mainly including cash and short-term time deposits, financial assets at fair value through profit or loss and available-for-sale financial assets. Generally financial instruments at fixed rates and at floating rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively.

##### (ii) Currency risk

Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and other currency to RMB exchange rates.

##### (iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), no matter those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group’s price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group uses VaR to measure the expected loss in respect of equity price risk for stock and fund investments measured at fair value. The Group monitors the daily value fluctuation risk over a portent period of 1 day for going concern basis. Moreover, VaR is measured over a holding period of 250 trading days at a confidence level of 95%.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (2) Financial risk (continued)

##### (c) Liquidity risk

Liquidity risk is the risk that the Group fails to obtain sufficient capital to pay off its matured liabilities. During normal operating activities, the Group reduces liquidity risk through matching the maturity date of investment assets with that of financial liabilities and insurance liabilities.

The Group's relevant departments and the asset management company are responsible for managing and monitoring daily liquidity risks, including analysis of liquidity ratio, establishment of short-term and long-term investment strategy and setting up of a liquidity warning system to ensure liquidity safety.

The tables below summarise the remaining contractual maturity profile of the financial assets and financial liabilities, the expected timing of insurance contract liabilities and reinsurers' share of insurance contract liabilities of the Group based on undiscounted cash flow.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (2) Financial risk (continued)

##### (c) Liquidity risk (continued)

	30 June 2020 (Unaudited)					Carrying amount
	Within 1 year or on undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
<b>Assets:</b>						
Cash and short-term time deposits	16,930,606	-	-	-	16,930,606	16,930,276
Fixed maturity investments carried at fair value through profit or loss	634,530	182,086	1,926,350	1,661,681	4,404,647	4,028,413
Equity securities carried at fair value through profit or loss	10,342,982	-	-	-	10,342,982	10,342,982
Derivative financial instruments	499,873	-	-	-	499,873	499,873
Financial assets held under resale agreements	5,269,853	-	-	-	5,269,853	5,269,035
Premiums receivable	10,459,692	4,816,435	2,206,209	13,795	17,496,131	17,496,131
Reinsurance debtors	84,006,617	457,978	408,116	68,582	84,941,293	84,941,293
Investment contracts receivable	8,198,807	-	-	-	8,198,807	8,198,807
Reinsurers' share of insurance contract liabilities	12,427,212	2,920,201	4,999,871	1,686,151	22,033,435	22,544,964
Reinsurers' share of policy loans	530,124	-	-	-	530,124	530,124
Time deposits	7,586,513	582,231	9,679,126	-	17,847,870	16,270,593
Available-for-sale fixed maturity investments	13,114,539	15,952,580	41,117,820	54,896,983	125,081,922	95,437,758
Available-for-sale equity securities	44,298,686	-	-	-	44,298,686	44,298,686
Held-to-maturity investments	5,400,425	5,171,494	12,404,468	20,136,714	43,113,101	33,049,515
Investments classified as loans and receivables	14,400,512	5,795,953	20,046,079	15,413,661	55,656,205	43,538,937
Statutory deposits	3,018,928	1,556,467	14,528,019	-	19,103,414	17,223,184
Other financial assets	7,708,660	(22,100,457)	(37,537,599)	1,040,895,073	988,965,677	11,671,407
<b>Total</b>	<b>244,828,559</b>	<b>15,334,968</b>	<b>69,778,459</b>	<b>1,134,772,640</b>	<b>1,464,714,626</b>	<b>432,271,978</b>
<b>Liabilities:</b>						
Short-term borrowings	292,477	-	-	-	292,477	274,720
Securities sold under agreements to repurchase	28,854,934	-	-	-	28,854,934	28,795,775
Reinsurance payables	22,629,280	539,566	1,659,763	325,321	25,153,930	25,153,930
Income tax payable	951,843	-	-	-	951,843	951,843
Policyholders' deposits	4,490,746	1,198,507	-	-	5,689,253	5,689,253
Investment contract liabilities	(11,916,240)	(41,346,401)	(17,911,083)	1,164,764,009	1,093,590,285	29,116,011
Insurance contract liabilities	81,251,335	26,994,757	111,036,854	62,723,841	282,006,787	241,353,035
Notes and bonds payable	371,443	11,416,450	9,877,600	-	21,665,493	19,559,562
Long-term borrowings	186,055	186,055	4,208,205	-	4,580,315	3,879,555
Lease liabilities	403,109	278,436	363,116	240,342	1,285,003	1,209,971
Other financial liabilities	15,388,570	660,506	1,154,720	4,377,368	21,581,164	18,963,442
<b>Total</b>	<b>142,903,552</b>	<b>(72,124)</b>	<b>110,389,175</b>	<b>1,232,430,881</b>	<b>1,485,651,484</b>	<b>374,947,097</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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### 35 RISK MANAGEMENT (continued)

#### (2) Financial risk (continued)

##### (c) Liquidity risk (continued)

	31 December 2019 (Audited)					Carrying amount
	Within 1 year or undated	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
<b>Assets:</b>						
Cash and short-term time deposits	20,290,565	-	-	-	20,290,565	20,262,473
Fixed maturity investments carried at fair value through profit or loss	457,275	335,512	420,062	1,177,393	2,390,242	2,331,259
Equity securities carried at fair value through profit or loss	9,524,987	-	-	-	9,524,987	9,524,987
Derivative financial instruments	411,129	-	-	-	411,129	411,129
Financial assets held under resale agreements	2,981,800	-	-	-	2,981,800	2,981,215
Premiums receivable	8,336,681	4,367,523	2,043,663	8,096	14,755,963	14,755,963
Reinsurance debtors	54,532,891	1,211,783	136,939	57,952	55,939,565	55,939,565
Investment contracts receivable	3,433,251	-	-	-	3,433,251	3,433,251
Reinsurers' share of insurance contract liabilities	9,534,850	3,239,584	3,569,713	1,396,852	17,740,998	18,173,603
Reinsurers' share of policy loans	503,744	-	-	-	503,744	503,744
Time deposits	3,671,756	-	332,452	-	4,004,208	3,907,342
Available-for-sale fixed maturity investments	9,157,551	14,404,987	39,560,110	29,226,433	92,349,081	78,593,011
Available-for-sale equity securities	38,809,374	-	-	-	38,809,374	38,809,374
Held-to-maturity investments	3,930,024	5,829,403	14,474,767	20,820,797	45,054,991	34,593,283
Investments classified as loans and receivables	7,872,048	7,463,958	23,743,254	19,858,717	58,937,977	43,726,769
Statutory deposits	8,825,660	559,020	7,651,527	-	17,036,207	15,723,184
Other financial assets	2,910,598	(26,747,485)	(31,462,000)	855,807,161	800,508,274	9,668,969
<b>Total</b>	<b>185,184,184</b>	<b>10,664,285</b>	<b>60,470,487</b>	<b>928,353,401</b>	<b>1,184,672,356</b>	<b>353,339,121</b>
<b>Liabilities:</b>						
Short-term borrowings	732,349	-	-	-	732,349	732,349
Securities sold under agreements to repurchase	21,490,168	-	-	-	21,490,168	21,487,751
Reinsurance payables	16,555,668	609,290	595,537	186,649	17,947,144	17,947,144
Income tax payable	1,353,982	-	-	-	1,353,982	1,353,982
Policyholders' deposits	2,839,407	567	-	-	2,839,974	2,839,974
Investment contract liabilities	(9,195,683)	(8,818,421)	(26,531,984)	878,786,387	834,240,299	22,066,813
Insurance contract liabilities	71,135,579	23,442,233	75,628,842	49,875,138	220,081,792	191,637,068
Notes and bonds payable	586,041	791,970	20,695,070	-	22,073,081	19,390,012
Long-term borrowings	183,841	182,338	4,203,090	-	4,569,269	3,821,130
Lease liabilities	417,305	290,272	364,647	72,062	1,144,286	1,117,491
Other financial liabilities	8,833,535	805,422	1,492,987	4,684,049	15,815,993	13,186,369
<b>Total</b>	<b>114,932,192</b>	<b>17,303,671</b>	<b>76,448,189</b>	<b>933,604,285</b>	<b>1,142,288,337</b>	<b>295,580,083</b>

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 RISK MANAGEMENT (continued)

#### (2) Financial risk (continued)

##### (c) Liquidity risk (continued)

The amounts set forth in the tables above for financial assets, borrowings, notes and bonds payable, securities sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures.



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 FAIR VALUE MEASUREMENT

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

##### Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at 30 June 2020 on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(Unaudited)	Fair value as at 30 June 2020	Fair value measurements as at 30 June 2020 categorised into		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	4,028,413	4,028,413	–	–
– Equity securities	10,342,982	5,227,220	4,349,997	765,765
Available-for-sale financial assets				
– Fixed maturity investment	95,437,758	1,754,823	92,819,258	863,677
– Equity securities	44,298,686	30,837,358	2,044,311	11,417,017
Derivative financial instruments	499,873	–	–	499,873
<b>Total</b>	<b>154,607,712</b>	<b>41,847,814</b>	<b>99,213,566</b>	<b>13,546,332</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 FAIR VALUE MEASUREMENT (continued)

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

##### Fair value hierarchy (continued)

(Audited)	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Fixed maturity investment	2,331,259	2,331,259	–	–
– Equity securities	9,524,987	4,002,234	4,738,260	784,493
Available-for-sale financial assets				
– Fixed maturity investment	78,593,011	1,720,458	76,040,380	832,173
– Equity securities	38,809,374	25,828,786	1,183,890	11,796,698
Derivative financial instruments	411,129	–	–	411,129
<b>Total</b>	<b>129,669,760</b>	<b>33,882,737</b>	<b>81,962,530</b>	<b>13,824,493</b>

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

(Unaudited)	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial instruments
At 1 January 2020	784,493	12,628,871	411,129
Additions	11,911	198,731	–
Disposals	–	(126,098)	–
Transfer out from Level 3	–	(511,020)	–
Gains/(losses) through profit or loss	(30,639)	89,112	88,744
Gains/(losses) through other comprehensive income	–	1,098	–
<b>At 30 June 2020</b>	<b>765,765</b>	<b>12,280,694</b>	<b>499,873</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 FAIR VALUE MEASUREMENT (continued)

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

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

(Unaudited)	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial instruments
At 1 January 2019	919,735	12,382,015	175,403
Additions	21,537	77,750	–
Disposals	–	(145,311)	–
Transfer out from Level 3	–	(355,700)	–
Gains/(losses) through profit or loss	(49,745)	95,670	91,878
Gains/(losses) through other comprehensive income	–	276,247	–
At 30 June 2019	891,527	12,330,671	267,281

##### Valuation techniques and inputs used in Level 2 fair value measurements

As at 30 June 2020, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilize a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. As at 30 June 2020, the Group did not transfer securities from Level 1 to Level 2 (During the six months ended 30 June 2019: RMB253 million), and transferred securities of RMB368 million (During the six months ended 30 June 2019: Nil) from Level 2 to Level 1.

During the six months ended 30 June 2020, the Group transferred certain securities of RMB511 million (During the six months ended 30 June 2019: RMB356 million) from level 3 to level 2. The transfer from level 3 to level 2 is due to the change in availability of quoted prices in active markets, which certain securities have been listed but limited for sale.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 FAIR VALUE MEASUREMENT (continued)

#### (2) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2020 except for the following financial instruments, for which their carrying amounts, fair value and the level of fair value hierarchy are disclosed below:

(Unaudited)	30 June 2020		30 June 2020		
	carrying amount	fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
<b>Assets</b>					
Held-to-maturity investments	33,049,515	34,980,099	–	34,980,099	–
Investment classified as loans and receivables	43,538,937	44,913,088	–	–	44,913,088
<b>Liabilities</b>					
Long-term borrowings	3,879,555	4,213,849	–	–	4,213,849
Notes and bonds payable	19,559,562	20,010,664	–	20,010,664	–
(Audited)	31 December 2019		31 December 2019		
	carrying amount	fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
<b>Assets</b>					
Held-to-maturity investments	34,593,283	36,499,013	–	36,499,013	–
Investment classified as loans and receivables	43,726,769	44,973,556	–	–	44,973,556
<b>Liabilities</b>					
Long-term borrowings	3,821,130	3,979,370	–	–	3,979,370
Notes and bonds payable	19,390,012	19,735,749	–	19,735,749	–

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 FAIR VALUE MEASUREMENT (continued)

#### (2) Fair value of financial assets and liabilities carried at other than fair value (continued)

The fair value of the held-to-maturity investments, notes and bonds payable classified as Level 2 is determined and analysed on the basis of the observable net valuation price of China Central Depository & Clearing Co., Ltd. (CCDC), China Securities Depository and Clearing Corporation Limited (CSDC), and Bloomberg Terminal.

The fair value of long-term loans classified as level 3 should be measured as the discounted present value of the future cash flow in accordance with the interest rates on the market with comparable credit ratings and providing almost the same cash flow under the same conditions.

The fair value of investments classified as loans and receivables as level 3 is determined using recognized pricing models, including the analysis of discounted cash flows based on unobservable discount rates, which reflects the relevant credit risk.

### 37 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to focus on the balance between risk and profit, to ensure that the Group meets the external capital requirements and maintains a sound solvency margin ratio to support its business development and maximise profit for shareholders, by pricing products and services commensurately with the level of risk and by accessing to finance at a reasonable cost.

The Group regularly reviews and manages its capital structure to achieve the most ideal capital structure and maximum returns to the shareholders. Factors taken into consideration include future capital requirement, capital efficiency, actual and expected profitability, expected cash flows and expected capital expenditure of the Group. The Group makes adjustments to the capital structure in light of changes in economic conditions.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) **Ultimate parent**

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

(2) **Significant related parties**

Name of significant related party	Relationship with the Company
CEB	Associate

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

(a) **Significant related-party transactions between the Group and CEB are as follows:**

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest income	36,655	40,099
Premium income	469	3,844
Claims payments	688,154	440,376
Fees and commissions	80	85

(b) **The balances of significant related-party transactions between the Group and CEB are as follows:**

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	Cash and short-term time deposits	109,846
Statutory deposits	437,187	437,187
Interest receivables	21,091	38,359
Dividends receivable	405,616	–
Debt investments	999,363	999,078
Premiums receivable	2,681	–

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). The Group’s key business is primary insurance and reinsurance related business and therefore the business transactions with other state-owned entities are primarily related to insurance, reinsurance and investment activities, including but not limited to insurance, reinsurance, provision of asset management or other services, and the sale, purchase, and redemption of bonds or equity instruments.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

### 39 CONTINGENCIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business. The adverse effects of these contingencies and legal proceedings mainly involve claims on the Group’s insurance contracts and reinsurance contracts. The Group has considered possible losses caused by such litigations when measuring insurance contract liabilities. During the first half of 2020, certain subsidiaries of the Group were involved in similar legal proceedings, and the amounts for specific legal claims may be significant and the cases are being investigated by relevant authorities. While the outcomes of such contingencies and legal proceedings cannot be determined at present, based on the current available information, the Group believes that it will not have a material adverse impact on the financial position as at 30 June 2020 and operating results of the Group for the six months ended 30 June 2020.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 CONTINGENCIES (continued)

As at 30 June 2020, the Group has issued the following guarantees:

- (1) As at 30 June 2020, the Company provided maritime guarantee of RMB2,661 million (31 December 2019: RMB2,937 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.
- (2) As at 30 June 2020, the Company provided letter of credit GBP100 million to Lloyd's to support China Re Syndicate 2088's underwriting business (31 December 2019: GBP100 million). As at 30 June 2020, CRIH provided letter of credit GBP300 million to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business (31 December 2019: GBP300 million).

### 40 COMMITMENTS

#### Capital commitments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contracted for		
– Intangible assets commitments	16,858	41,056
– Property and equipment commitments	25,096	73,582
– Investment commitments	555,854	514,994
Total	597,808	629,632



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

#### (1) The impact of the Coronavirus outbreak

The COVID-19 pandemic outbreak and continued to spread in China and around the world since early 2020. The COVID-19 pandemic has brought uncertainty to business operations and the overall economy in China and most parts of the world. The condensed consolidated interim financial information have reflected the known impact of the COVID-19 pandemic on the condensed consolidated financial position as at 30 June 2020 and on the condensed consolidated operating results and condensed consolidated cash flows for the six months ended 30 June 2020 of the Group. Since the beginning of the second quarter, although China's economic and social operation has gradually got back on track despite prevention and control measures applied, it remains largely uncertain how things will develop with the global pandemic of the COVID-19. As a result of the foregoing, the Group's operating results and financial condition could be adversely affected. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position, operating results and cashflow of the Group and take corresponding countermeasures.

### 42 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Board of Directors on 28 August 2020.

# DEFINITIONS

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“Articles of Association”	the articles of association of our Company as adopted at our shareholders’ meeting held on 26 June 2015, 24 October 2017, 28 June 2018 and approved by the insurance regulatory authority in the PRC on 9 July 2015, 2 March 2016 and 16 January 2019
“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Central Huijin”	Central Huijin Investment Ltd.
“Chaucer”	the collective name of China Re International Holdings Limited, Chaucer Insurance Company Designated Activity Company and China Re Australia HoldCo Pty Ltd
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003. The Company holds 64.3% of its shares
“China Everbright Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a joint stock limited liability company incorporated in the PRC
“China Re AMC”	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
“China Re HK”	China Reinsurance (Hong Kong) Company Limited (中國再保險(香港)股份有限公司), a subsidiary of China Re Life licensed and incorporated by Hong Kong Insurance Authority on 16 December 2019
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003

# DEFINITIONS

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“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

# DEFINITIONS

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“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huatai Insurance Agency”	Huatai Insurance Agency and Consultant Service Limited (華泰保險經紀有限公司), a subsidiary of the Company incorporated in the PRC on 1 March 1993. The Company holds 52.5% of its shares
“Latest Practicable Date”	14 September 2020, being the latest practicable date for the inclusion of certain information in this report prior to its publication
“Listing Date”	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange
“Lloyd’s”	The Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2020 until 30 June 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company

# CORPORATE INFORMATION

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## REGISTERED NAMES

**Legal Chinese name:** 中國再保險(集團)股份有限公司  
**Chinese abbreviation:** 中再集團  
**Legal English name:** China Reinsurance (Group) Corporation  
**English abbreviation:** China Re

## REGISTERED OFFICE AND HEADQUARTERS

No. 11 Jinrong Avenue, Xicheng District, Beijing, the PRC (Postal code: 100033)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1618, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong

## PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

## CLASS OF SHARES

H shares

## STOCK NAME

China Re

## STOCK CODE

1508

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## WEBSITE

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

## INVESTOR RELATIONS DEPARTMENT

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

## LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

## SECRETARY TO THE BOARD

Ms. Zhu Xiaoyun

## AUTHORISED REPRESENTATIVES

Mr. He Chunlei  
Ms. Ng Sau Mei

## JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun  
Ms. Ng Sau Mei

## AUDITORS

*Domestic auditor:*  
PricewaterhouseCoopers Zhong Tian LLP

*Overseas auditor:*  
PricewaterhouseCoopers  
(Certified Public Accountants and Registered PIE Auditor)

## ACTUARIAL CONSULTANT

Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

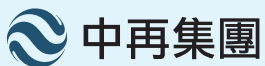
## HONG KONG LEGAL ADVISER

Clifford Chance

## UNIFIED SOCIAL CREDIT CODE

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