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China Reinsurance (Group) Corporation

中國再保險（集團）股份有限公司

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

(Stock Code:1508)

**ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors of China Reinsurance (Group) Corporation hereby announces the unaudited interim results of the Group for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		(Unaudited)	(Unaudited)
Gross written premiums	4	83,277,134	102,123,295
Less: Premiums ceded to reinsurers and retrocessionaires	4	(8,868,302)	(7,799,823)
Net written premiums	4	74,408,832	94,323,472
Changes in unearned premium reserves		(3,617,260)	(5,243,082)
Net premiums earned		70,791,572	89,080,390
Reinsurance commission income		1,149,904	1,583,780
Investment income	5	9,389,284	6,927,817
Exchange gains/(losses), net		170,097	(31,127)
Other income		1,203,523	1,893,796
Total income		82,704,380	99,454,656

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		(Unaudited)	(Unaudited)
Total income		82,704,380	99,454,656
Claims and policyholders' benefits	6	(57,884,010)	(71,814,702)
– Claims incurred		(34,552,479)	(32,110,170)
– Life and health reinsurance death and other benefits paid		(23,482,957)	(5,502,480)
– Changes in long-term life and health reinsurance contract liabilities		151,426	(34,202,052)
Handling charges and commissions		(11,014,775)	(14,216,488)
Finance costs		(900,025)	(815,698)
Other operating and administrative expenses		(9,204,971)	(10,218,487)
Total benefits, claims and expenses		(79,003,781)	(97,065,375)
Share of profits of associates		1,203,421	897,332
Profit before tax	7	4,904,020	3,286,613
Income tax	8	(926,696)	(537,242)
Profit for the period		3,977,324	2,749,371
Attributable to:			
Equity shareholders of the parent		4,010,807	2,467,421
Non-controlling interests		(33,483)	281,950
Profit for the period		3,977,324	2,749,371
Earnings per share (in RMB)	10		
– Basic		0.09	0.06
– Diluted		0.09	0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit for the period	<u>3,977,324</u>	<u>2,749,371</u>
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	4	2,986
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, after tax	(133,871)	(14,123)
Available-for-sale financial assets, after tax	(1,364,154)	208,646
Exchange differences on translation of financial statements of foreign operations	<u>(80,260)</u>	<u>106,394</u>
Other comprehensive income for the period after tax	<u>(1,578,281)</u>	<u>303,903</u>
Total comprehensive income for the period	<u><u>2,399,043</u></u>	<u><u>3,053,274</u></u>
Attributable to:		
Equity shareholders of the parent	2,594,691	2,820,530
Non-controlling interests	<u>(195,648)</u>	<u>232,744</u>
Total comprehensive income for the period	<u><u>2,399,043</u></u>	<u><u>3,053,274</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets			
Cash and short-term time deposits		18,378,862	13,872,362
Financial assets at fair value through profit or loss		14,840,094	11,177,435
Derivative financial instruments		206,421	246,287
Financial assets held under resale agreements		3,743,350	4,615,600
Premiums receivable	11	17,965,059	16,638,399
Reinsurance debtors	12	54,143,838	48,706,040
Investment contracts receivable		58,157,595	7,112,873
Reinsurers' share of insurance contract liabilities		23,016,932	19,724,423
Reinsurers' share of policy loans		599,408	563,501
Time deposits		14,897,084	19,904,638
Available-for-sale financial assets		174,836,917	163,649,766
Held-to-maturity investments		35,448,427	32,199,780
Investments classified as loans and receivables		37,102,794	41,236,325
Statutory deposits		18,344,502	18,044,502
Investment properties		6,367,893	6,477,825
Property and equipment		4,100,048	4,254,004
Right-of-use assets		1,298,883	1,333,175
Intangible assets		2,156,496	2,242,293
Investments in associates	13	26,349,411	25,758,482
Goodwill		1,602,614	1,606,768
Deferred tax assets		2,077,459	1,582,929
Other assets		12,692,900	12,629,665
Total assets		528,326,987	453,577,072

	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Liabilities and equity			
Liabilities			
Short-term borrowings		179,127	208,101
Financial liabilities at fair value through profit or loss		226,314	214,579
Derivative financial liabilities		49,525	172,014
Securities sold under agreements to repurchase		29,360,599	29,403,318
Reinsurance payables		23,457,227	16,284,145
Income tax payable		452,060	1,696,458
Policyholders' deposits		4,285,324	4,719,779
Investment contract liabilities		76,814,789	23,990,655
Insurance contract liabilities		240,634,032	229,496,289
Notes and bonds payable		22,665,978	22,748,255
Long-term borrowings		3,543,611	3,577,375
Lease liabilities		1,206,062	1,253,917
Deferred tax liabilities		2,492,174	1,291,583
Other liabilities		19,391,237	15,619,750
Total liabilities		424,758,059	350,676,218
Equity			
Share capital	14	42,479,808	42,479,808
Reserves		24,666,885	26,072,298
Retained profits		26,745,494	24,476,359
Total equity attributable to equity shareholders of the parent		93,892,187	93,028,465
Non-controlling interests		9,676,741	9,872,389
Total equity		103,568,928	102,900,854
Total liabilities and equity		528,326,987	453,577,072

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
		Reserves											
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 2020 (Audited)		42,479,808	10,599,448	2,548,437	6,118,790	74,519	409	7,122,982	(392,287)	24,476,359	93,028,465	9,872,389	102,900,854
Profit/(loss) for the period		-	-	-	-	-	-	-	-	4,010,807	4,010,807	(33,483)	3,977,324
Other comprehensive income		-	-	-	-	-	4	(1,335,860)	(80,260)	-	(1,416,116)	(162,165)	(1,578,281)
Total comprehensive income		-	-	-	-	-	4	(1,335,860)	(80,260)	4,010,807	2,594,691	(195,648)	2,399,043
Distributions to shareholders of the parent	9	-	-	-	-	-	-	-	-	(1,741,672)	(1,741,672)	-	(1,741,672)
Others		-	10,703	-	-	-	-	-	-	-	10,703	-	10,703
As at 30 June 2021 (Unaudited)		42,479,808	10,610,151	2,548,437	6,118,790	74,519	413	5,787,122	(472,547)	26,745,494	93,892,187	9,676,741	103,568,928

		Attributable to equity shareholders of the parent											
		Reserves											
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
As at 31 December 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
Total comprehensive income		-	-	-	-	-	2,986	243,729	106,394	2,467,421	2,820,530	232,744	3,053,274
Distributions to shareholders of the parent	9	-	-	-	-	-	-	-	-	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	7,886,675	25,306,549
Income tax paid	(1,297,646)	(1,281,964)
Net cash flows generated from operating activities	<u>6,589,029</u>	<u>24,024,585</u>
Investing activities		
Interests received	4,459,005	5,006,784
Dividends received	669,536	655,535
Purchases of property and equipment, investment properties and intangible assets	(152,983)	(155,581)
Proceeds from disposals of property and equipment, investment properties and intangible assets	2,615	671
Purchases of investments	(89,406,013)	(107,036,197)
Proceeds from disposals of investments	<u>82,339,630</u>	<u>69,119,859</u>
Net cash flows used in investing activities	<u>(2,088,210)</u>	<u>(32,408,929)</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	138,000	(557,978)
Proceeds from bank borrowings	–	200,000
Cash paid for debt	(29,990)	(624,292)
Interests paid	(545,238)	(573,328)
Cash paid for lease liabilities	(209,767)	(222,614)
Net proceeds from securities sold under agreements to repurchase	(233,288)	7,423,535
Net cash flows (used in)/generated from financing activities	(880,283)	5,645,323
Net increase/(decrease) in cash and cash equivalents	3,620,536	(2,739,021)
Cash and cash equivalents at the beginning of the period	14,837,049	21,267,582
Effect of foreign exchange rate changes	(79,884)	138,770
Cash and cash equivalents at the end of the period	18,377,701	18,667,331
Cash and short-term time deposits	18,378,862	16,930,276
Add: Financial assets held under resale agreements with original maturity of no more than three months	3,743,350	5,269,035
Less: Restricted cash and short-term time deposits	(3,744,511)	(3,531,980)
Cash and cash equivalents at the end of the period	18,377,701	18,667,331

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

(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 (“**IASB**”), 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 2020.

(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 2021*

Amendment to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Interest rate benchmark (IBOR) reform-Phase 2

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments – Interest Rate Benchmark Reform - Phase 2.

In August 2020, the IASB issued IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments Interest Rate Benchmark Reform – Phase 2. The amendments address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark rate. The key reliefs provided by the Phase 2 amendments are as follows:

Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

Hedge accounting. The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain financial instruments denominated in US dollars and Euros based on the London Interbank Offered Rate (“LIBOR”) and the Europe Interbank Offered Rate (“EURIBOR”) as at 30 June 2021. If the interest rates of these financial instruments are replaced by alternative benchmark rates in a future period, the Group will apply this practical expedient upon the modification of these financial instruments when the “economically equivalent” criterion is met and expects that no significant modification gain or loss for the Group will arise as a result of applying the amendments to these changes.

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Based on the current assessment, the Group expects that the adoption of IFRS 9 will have a significant impact on the Group’s consolidated financial statements. The Group adopts the temporary exemption permitted in Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (“**IFRS 4 Amendment**”) to apply IAS 39 rather than IFRS 9, until the effective date of IFRS 17.

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income (“**FVOCI**”) or fair value through profit or loss (“**FVTPL**”), based on their respective business models.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealised gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealised gains and losses are recognised in other comprehensive income (“OCI”). If the Group elects to record equity investments at FVOCI, gains and losses would be recognised in retained earnings when the instruments be disposed, except for the received dividends which do not represent a recovery of part of the investment cost.

Impairment

IFRS 9 replaces the “incurred loss” model with the “expected credit loss” model which is designed to include forwardlooking information. If the expected credit loss model was to be applied by the Group, the Group believed that the provision for the accumulated amount of impairment loss to be recognised by the Group would be generally increased as compared to the accumulated amount recognised under the previous “incurred loss” model.

Hedge accounting

The Group concludes that the new hedge accounting model under IFRS 9 will have no significant impact on the Group’s consolidated financial statements.

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 2023, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

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

The Group’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 2021.***

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 will replace 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, an explicit risk adjustment and a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

IFRS 17 (including amendments) is currently mandatorily effective for annual reporting periods beginning on or after 1 January 2023 and early adoption is permitted. The impact is expected to be significant and the Group is in the process of assessing the adoption impact of IFRS 17.

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

3 Segment information

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

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

- The property and casualty reinsurance segment, operated by the Company and subsidiaries of the Company China Property and Casualty Reinsurance Company Ltd. ("**China Re P&C**"), etc. offers a wide variety of reinsurance products for various property and casualty insurance, such as motor, property, agricultural and liability insurance, etc., and also includes the business operated by China Re UK Limited ("**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.
- 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 headquarters that manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

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

More than 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.

For the six months ended 30 June 2021 (Unaudited)

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	25,403,139	35,438,737	23,585,420	–	–	(1,150,162)	83,277,134
Less: Premiums ceded to reinsurers and retrocessionaires	(2,937,517)	(4,451,186)	(2,628,505)	–	–	1,148,906	(8,868,302)
Net written premiums	22,465,622	30,987,551	20,956,915	–	–	(1,256)	74,408,832
Changes in unearned premium reserves	(811,282)	(414,459)	(2,389,388)	–	–	(2,131)	(3,617,260)
Net premiums earned	21,654,340	30,573,092	18,567,527	–	–	(3,387)	70,791,572
Reinsurance commission income	297,080	510,876	688,254	–	–	(346,306)	1,149,904
Investment income	2,178,132	4,640,598	1,936,274	234,583	407,969	(8,272)	9,389,284
Exchanges gains/(losses), net	147,272	53,232	(7,045)	(12,201)	(3,710)	(7,451)	170,097
Other income	40,643	793,294	50,401	236,741	335,474	(253,030)	1,203,523
Total income	24,317,467	36,571,092	21,235,411	459,123	739,733	(618,446)	82,704,380
– External income	23,337,154	36,491,163	21,936,978	257,320	681,765	–	82,704,380
– Inter-segment income	980,313	79,929	(701,567)	201,803	57,968	(618,446)	–
Claims and policyholders' benefits	(14,024,906)	(30,276,525)	(13,574,713)	–	–	(7,866)	(57,884,010)
– Claims incurred	(14,024,906)	(6,944,994)	(13,574,713)	–	–	(7,866)	(34,552,479)
– Life and health reinsurance death and other benefits paid	–	(23,482,957)	–	–	–	–	(23,482,957)
– Changes in long-term life and health reinsurance contract liabilities	–	151,426	–	–	–	–	151,426
Handling charges and commissions	(6,372,116)	(2,726,821)	(2,267,754)	–	–	351,916	(11,014,775)
Finance costs	(368,694)	(253,793)	(73,606)	(175,965)	(27,967)	–	(900,025)
Other operating and administrative expenses	(1,119,036)	(1,913,211)	(5,535,553)	(211,364)	(684,823)	259,016	(9,204,971)
Total benefits, claims and expenses	(21,884,752)	(35,170,350)	(21,451,626)	(387,329)	(712,790)	603,066	(79,003,781)
Share of profits of associates	140,512	551,225	47,114	(221)	481,515	(16,724)	1,203,421
Profit before tax	2,573,227	1,951,967	(169,101)	71,573	508,458	(32,104)	4,904,020
Income tax	(517,326)	(384,565)	71,112	(18,679)	(77,238)	–	(926,696)
Profit for the period	2,055,901	1,567,402	(97,989)	52,894	431,220	(32,104)	3,977,324

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
Total income	23,523,930	50,766,888	24,816,712	679,908	367,996	(700,778)	99,454,656
– 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)
Total benefits, claims and expenses	(22,767,243)	(50,155,168)	(23,783,394)	(416,162)	(653,064)	709,656	(97,065,375)
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)
Profit for the period	698,557	874,635	798,269	254,982	192,284	(69,356)	2,749,371

30 June 2021 (Unaudited)							
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	128,122,282	276,195,031	84,733,324	14,843,374	63,176,674	(38,743,698)	528,326,987
Segment liabilities	(100,867,561)	(248,964,778)	(57,955,216)	(10,710,372)	(11,962,965)	5,702,833	(424,758,059)

31 December 2020 (Audited)							
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	120,713,757	211,301,494	84,660,943	15,360,928	61,600,295	(40,060,345)	453,577,072
Segment liabilities	(94,514,804)	(185,648,425)	(57,361,882)	(11,081,346)	(9,251,868)	7,182,107	(350,676,218)

4 Gross and net written premiums

(a) Gross written premiums

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Long-term life and health reinsurance	23,320,744	38,675,897
Short-term life and health reinsurance	12,025,362	11,731,370
Property and casualty reinsurance	21,680,253	23,570,792
Primary property and casualty insurance	26,250,775	28,145,236
Total	<u>83,277,134</u>	<u>102,123,295</u>

(b) Premiums ceded to reinsurers and retrocessionaires

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Long-term life and health reinsurance	1,737,817	—
Short-term life and health reinsurance	2,620,726	3,273,452
Property and casualty reinsurance	1,901,543	1,993,250
Primary property and casualty insurance	2,608,216	2,533,121
Total	<u>8,868,302</u>	<u>7,799,823</u>

(c) Net written premiums

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Net written premiums	<u>74,408,832</u>	<u>94,323,472</u>

5 Investment income

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Interest, dividend and rental income (a)	6,001,178	5,509,379
Realised gains (b)	3,546,491	1,854,682
Unrealised gains/(losses) (c)	73,793	(34,450)
Negative goodwill arising from investments in associates	–	186,459
Impairment losses on financial assets (d)	(232,178)	(318,866)
Impairment losses on investment in associates	–	(269,387)
Total	9,389,284	6,927,817

(a) Interest, dividend and rental income

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Interest income		
Current and time deposits	834,589	786,176
Fixed maturity investment		
– Held-to-maturity investments	997,253	879,994
– Available-for-sale financial assets	2,128,302	1,711,516
– Financial assets at fair value through profit or loss	40,386	55,605
– Investment classified as loans and receivables	905,159	1,291,171
Financial assets held under resale agreements	38,670	29,712
Reinsurers' share of policy loans	3,781	3,322
Subtotal	4,948,140	4,757,496
Dividend income		
Equity securities		
– Available-for-sale financial assets	895,787	588,754
– Financial assets at fair value through profit or loss	37,311	58,169
Subtotal	933,098	646,923
Rent income from investment properties	119,940	104,960
Total	6,001,178	5,509,379

(b) Realised gains

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Fixed maturity investment		
– Available-for-sale financial assets	(11,365)	58,915
– Financial assets at fair value through profit or loss	(45,460)	26,375
Equity securities		
– Available-for-sale financial assets	3,533,392	1,379,760
– Financial assets at fair value through profit or loss	85,944	322,274
Derivative financial instruments	(16,020)	67,358
Total	3,546,491	1,854,682

(c) Unrealised gains/(losses)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss	149,442	(133,451)
Financial liabilities at fair value through profit or loss	(11,736)	–
Derivative financial assets	(35,244)	99,001
Derivative financial liabilities	(28,669)	–
Total	73,793	(34,450)

(d) Impairment losses on financial assets

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Fixed maturity investment		
– Investments classified as loans and receivables	(205,401)	(105,990)
Equity securities		
– Available-for-sale financial assets	(26,777)	(212,876)
Total	(232,178)	(318,866)

6 Claims and policyholders' benefits

	Six months ended 30 June 2021 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	37,701,493	(3,149,014)	34,552,479
– Short-term life and health reinsurance	9,004,394	(2,107,971)	6,896,423
– Property and casualty reinsurance	12,734,769	52,646	12,787,415
– Primary property and casualty insurance	15,962,330	(1,093,689)	14,868,641
Life and health reinsurance death and other benefits paid	24,045,561	(562,604)	23,482,957
Changes in long-term life and health reinsurance contract liabilities	1,040,240	(1,191,666)	(151,426)
Total	<u>62,787,294</u>	<u>(4,903,284)</u>	<u>57,884,010</u>
	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
Total	<u>77,189,549</u>	<u>(5,374,847)</u>	<u>71,814,702</u>

7 Profit before tax

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Employee costs (including directors' and supervisors' emoluments) (note)	3,330,279	3,376,053
Depreciation of property and equipment (note)	183,091	160,893
Depreciation of right-of-use assets (note)	148,716	211,264
Depreciation of investment properties	109,931	128,990
Amortisation of intangible assets (note)	106,481	90,114
Rental expenses (note)	121,420	93,743
Impairment losses on investments in associates	–	269,387
Impairment losses on available-for-sale financial assets	26,777	212,876
Impairment losses on investments classified as loans and receivables	205,401	105,990
Impairment losses on premiums receivable	137,039	144,253
Impairment losses on reinsurance debtors	20,452	16,864
Impairment losses on other assets	91,976	–

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

8 Income tax

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Current income tax		
Charge for the year	1,053,222	1,198,991
Adjustments in respect of prior years	(1,121,526)	(729,503)
Deferred income tax	995,000	67,754
Total	<u>926,696</u>	<u>537,242</u>

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

9 Dividends

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
In respect of previous year:		
2020 final dividend (declared in 2021): RMB0.041 per ordinary share	1,741,672	
2019 final dividend (declared in 2020): RMB0.044 per ordinary share		1,869,112

10 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and the six months ended 30 June 2020.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Net profit attributable to the equity shareholders of the parent	4,010,807	2,467,421
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.09	0.06

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2021 and the six months ended 30 June 2020, so the diluted earnings per share were the same as the basic earnings per share.

11 Premiums receivable

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Premiums receivable	18,652,326	17,188,332
Less: impairment provision	(687,267)	(549,933)
Premiums receivable, net	<u>17,965,059</u>	<u>16,638,399</u>

(a) Aging analysis

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 3 months (inclusive)	17,223,926	16,016,401
3 months to 1 year (inclusive)	817,437	689,158
1 to 2 years (inclusive)	316,047	227,353
Over 2 years	294,916	255,420
Total	18,652,326	17,188,332
Less: impairment provision	(687,267)	(549,933)
Net	<u>17,965,059</u>	<u>16,638,399</u>

(b) Impairment provision of premiums receivable

	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
At the beginning of the period	549,933	346,371
Net charge for the period	137,039	144,253
Exchange difference	295	—
At the end of the period	<u>687,267</u>	<u>490,624</u>

12 Reinsurance debtors

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Reinsurance debtors	54,334,236	48,876,562
Less: impairment provision	(190,398)	(170,522)
Reinsurance debtors, net	<u>54,143,838</u>	<u>48,706,040</u>

(a) Aging analysis

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 3 months (inclusive)	47,985,448	42,095,252
3 months to 1 year (inclusive)	4,764,150	5,075,816
1 to 2 years (inclusive)	761,382	861,480
Over 2 years	823,256	844,014
Total	54,334,236	48,876,562
Less: impairment provision	(190,398)	(170,522)
Net	<u>54,143,838</u>	<u>48,706,040</u>

(b) Impairment provision of reinsurance debtors

	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
At the beginning of the period	170,522	131,478
Charge for the period	20,452	16,864
Exchange difference	(576)	638
At the end of the period	<u>190,398</u>	<u>148,980</u>

13 Investments in associates

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Book balance		
– Listed shares	19,070,330	18,533,201
– Unlisted shares	7,279,081	7,225,281
Total	<u>26,349,411</u>	<u>25,758,482</u>
Carrying amount	<u>26,349,411</u>	<u>25,758,482</u>

14 Share capital

	30 June 2021 (Unaudited)	31 December 2020 (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	<u>42,479,808</u>	<u>42,479,808</u>

15 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. As at 30 June 2021, certain subsidiaries of the Group were involved in such 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 they did not have a material adverse impact on the financial position as at 30 June 2021 and operating results of the Group for the six months ended 30 June 2021.

As at 30 June 2021, the Group has issued the following guarantees:

- (1) As at 30 June 2021, the Company provided maritime guarantee of RMB1,957 million (31 December 2020: RMB2,266 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 2021, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 100 million (31 December 2020: GBP 100 million). As at 30 June 2021, CRIH provided letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP 250 million totally (31 December 2020: GBP 250 million).
- (3) CRIH has entered into two Tier 1 securities lending arrangement for Funds at Lloyd's with two financial institutions. The facilities total GBP 80 million and USD50 million (December 31, 2020: GBP 80 million and USD50 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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		
	2021	2020	Change (%)
Gross written premiums	83,277	102,123	(18.5)
Gross written premiums by business segment:			
P&C reinsurance ¹	25,403	27,078	(6.2)
Life and health reinsurance ¹	35,439	50,500	(29.8)
Primary P&C insurance ¹	23,585	25,763	(8.5)
Total investment income ²	10,302	7,565	36.2
Annualised total investment yield (%) ³	6.55	5.48	Increase of 1.07 percentage points
Net investment income ⁴	7,205	6,407	12.5
Annualised net investment yield (%) ⁵	4.58	4.64	Decrease of 0.06 percentage points

- Notes:*
- 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.
 - 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 × 2.
 - Net investment income = interest + dividend + 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 × 2.

	As at 30 June 2021		As at 31 December 2020	
	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)	Core solvency adequacy ratio (%)	Aggregated solvency adequacy ratio (%)
China Re Group	172	197	189	215
Group Company	518	518	599	599
China Re P&C	169	228	169	231
China Re Life	192	224	195	229
China Continent Insurance	351	351	338	338

Note: The relevant solvency data as at 30 June 2021 was not audited or reviewed by the auditors of the Company.

In the first half of 2021, in the face of the complex domestic and international market environment and profoundly changing regulatory policies, China Re Group persisted in the operational strategy of “stabilising growth, adjusting structure, controlling risks and increasing profitability”. The operating profit increased significantly, and risk management continued to be stable.

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 3.1% in primary P&C insurance business. 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 2021, the Group’s gross written premiums amounted to RMB83,277 million, representing a year-on-year decrease of 18.5%, which was mainly because (i) we proactively downsized the domestic savings-type business of life and health reinsurance according to the changes in market environment; (ii) the financial reinsurance business of the life and health reinsurance sector recorded high gross written premiums in the same period last year, resulting in a significant year-on-year decline. Specifically, the gross written premiums from P&C reinsurance business, life and health reinsurance business and primary P&C insurance business (before inter-segment eliminations) were RMB25,403 million, RMB35,439 million and RMB23,585 million, respectively.

In the first half of 2021, the Group’s total investment income was RMB10,302 million, representing a year-on-year increase of 36.2%, and the net investment income was RMB7,205 million, representing a year-on-year increase of 12.5%. The increase in our investment income was mainly due to the optimization of asset allocation structure, the realisation of excess returns by seizing the opportunities of fluctuations in the equity market, and cashing in certain floating profits based on our judgment on the market. The annualised total investment yield was 6.55%, representing a year-on-year increase of 1.07 percentage points, and the annualised net investment yield was 4.58%, representing a year-on-year decrease of 0.06 percentage points.

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 for percentages and unless otherwise stated

	For the six months ended 30 June		
	2021	2020	Change (%)
Gross written premiums	83,277	102,123	(18.5)
Profit before tax	4,904	3,287	49.2
Net profit	3,977	2,749	44.7
Net profit attributable to equity shareholders of the parent company	4,011	2,467	62.6
Earnings per share (RMB)	0.09	0.06	62.6
Annualised weighted average return on equity (%) ¹	8.50	5.63	Increase of 2.87 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.

In the first half of 2021, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB4,011 million, representing a year-on-year increase of 62.6%, which was mainly due to (i) the year-on-year improvement of the underwriting profits of the international business as a result of the structure optimization and rates increase of the international business; and (ii) the year-on-year increase in investment income as a result of the optimization of asset allocation structure and the timely realisation of gains by seizing the opportunities of fluctuations in the equity market.

Unit: in RMB millions, unless otherwise stated

	As at 30 June 2021	As at 31 December 2020	Change (%)
Total assets	528,327	453,577	16.5
Total liabilities	424,758	350,676	21.1
Total equity	103,569	102,901	0.6
Net assets per share attributable to equity shareholders of the parent company (RMB)	2.21	2.19	0.9

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

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 2021, we endeavoured 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 maintained stable development in emerging business sectors such as the construction inherent defects insurance (IDI), short-term health insurance, construction surety bond insurance, Chinese interest abroad projects insurance, catastrophe insurance and environmental pollution liability insurance and thus our business structure continued to optimise.

For overseas business, we took high-quality business development as the long-term development goal of our international business in optimising management mechanism and strengthening risk management and control. Our operating results improved significantly with an adjusted business portfolio. We deepened expansion in global market, strengthened team building, reinforced core channels, and improved service capabilities. We continued to promote the synergy between domestic and overseas businesses, which formed concerted forces to enhance the underwriting capacity, facilitate business development, optimise the risk portfolio and promote the Belt and Road related business development.

In the first half of 2021, gross written premiums from our P&C reinsurance segment amounted to RMB25,403 million, representing a year-on-year decrease of 6.2% and accounting for 30.1% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB2,056 million, representing a year-on-year increase of 194.1%, and the annualised weighted average return on equity reached 15.38%. The combined ratio was 97.46%, representing a year-on-year decrease of 4.93 percentage points, of which the loss ratio was 64.77%, representing a year-on-year increase of 1.17 percentage points; the expense ratio was 32.69%, representing a year-on-year decrease of 6.10 percentage points. The decrease in the combined ratio was mainly due to the significantly improved underwriting performance of overseas business as a result of (i) high combined ratio of overseas business in the same period last year as impacted by the epidemic; (ii) combined ratio still decreased excluding the impact of the epidemic as we seized the opportunity of rising rates in overseas markets, adjusted our business structure and controlled business risks.

Business Analysis

Domestic P&C Reinsurance Business¹

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 2021, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB15,672 million, representing a year-on-year decrease of 13.0%. The combined ratio was 99.71%, representing a year-on-year increase of 0.22 percentage points. Of such combined ratio, the loss ratio was 70.30%, representing a year-on-year increase of 8.96 percentage points, which was mainly due to the impact of the comprehensive reform of motor insurance. The expense ratio was 29.41%, representing a year-on-year decrease of 8.74 percentage points.

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

	New criteria For the six months ended 30 June			Original criteria (the criteria of the financial statements of China Re P&C) For the six months ended 30 June		
	2021	2020	Change	2021	2020	Change
Loss ratio (%)	70.30	61.34	Increase by 8.96 percentage points	68.86	63.83	Increase by 5.03 percentage points
Expense ratio (%)	29.41	38.15	Decrease by 8.74 percentage points	30.92	35.97	Decrease by 5.05 percentage points
Combined ratio (%)	99.71	99.49	Increase by 0.22 percentage points	99.78	99.80	Decrease by 0.02 percentage points

Note: 1. Data in business analysis of this section was changed from the criteria of the financial statements of China Re P&C to the management criteria that reversed the internal related-party transactions of the segment to better reflect the practical operation.

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 RMB1,450 million, representing a year-on-year increase of 11.6%.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	14,222	90.7	16,721	92.8
Facultative reinsurance	1,450	9.3	1,300	7.2
Total	15,672	100.0	18,021	100.0

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

Unit: in RMB millions, except for percentages

Form of cession	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	15,452	98.6	17,672	98.1
Non-proportional reinsurance	220	1.4	349	1.9
Total	15,672	100.0	18,021	100.0

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

Unit: in RMB millions, except for percentages

Business channel	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Primary	14,426	92.0	16,946	94.0
Via broker	1,246	8.0	1,075	6.0
Total	15,672	100.0	18,021	100.0

Lines of Business

As the largest domestic specialised P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the business characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, mainly including motor, commercial property, liability, agriculture and engineering insurance. We actively captured the opportunities brought by the transformation and development of the market, vigorously developed non-motor reinsurance business. The gross written premiums of non-agricultural and non-motor reinsurance business in our domestic P&C reinsurance business for the first half of 2021 amounted to RMB9,524 million, representing a year-on-year increase of 19.0% and accounting for 60.8% of its overall gross written premiums. In particular, we achieved a rapid growth in emerging business sectors such as the construction inherent defects insurance (IDI), short-term health insurance, construction surety bond insurance, Chinese interest abroad projects insurance, catastrophe insurance and environmental pollution liability insurance, with reinsurance premium income recorded at RMB1,035 million, representing a year-on-year increase of 6.9%, 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

Line of business	For the six months ended 30 June				
	2021		Year-on -year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Motor	4,514	28.8	(20.0)	5,644	31.3
Commercial property	3,199	20.4	4.4	3,063	17.0
Liability	2,693	17.2	29.4	2,081	11.5
Agriculture	1,634	10.4	(62.7)	4,375	24.3
Engineering	1,244	7.9	53.4	811	4.5
Others ¹	2,388	15.2	16.7	2,047	11.4
Total	15,672	100.0	(13.0)	18,021	100.0

Note: 1. Others include, among others, guarantee, cargo, speciality, marine hull and accident insurance.

Motor reinsurance. In the first half of 2021, reinsurance premium income from motor insurance amounted to RMB4,514 million, representing a year-on-year decrease of 20.0%, mainly due to the downsizing in the motor insurance business as a result of the comprehensive reform of motor insurance.

Commercial property reinsurance. In the first half of 2021, reinsurance premium income from our business and household property reinsurance business amounted to RMB3,199 million, representing a year-on-year increase of 4.4%.

Liability reinsurance. In the first half of 2021, the reinsurance premium income from liability insurance amounted to RMB2,693 million, representing a year-on-year increase of 29.4%, 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 construction inherent defects insurance (IDI) and environmental pollution liability insurance.

Agriculture reinsurance. In the first half of 2021, the reinsurance premium income from agriculture insurance amounted to RMB1,634 million, representing a year-on-year decrease of 62.7%, mainly due to our withdrawal from the agricultural insurance business under the operating mechanism of China Agricultural Reinsurance Pool. We are actively developing commercial agricultural insurance business and promoting innovation of its agricultural insurance products.

Engineering reinsurance. In the first half of 2021, reinsurance premium income from engineering insurance business amounted to RMB1,244 million, representing a year-on-year increase of 53.4%, mainly due to the increase in premiums ceded to reinsurers of certain customers.

Clients and Client Services

In the first half of 2021, we continued to maintain good client relationships. We have maintained stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. We continued to thoroughly adhere to our business philosophy of “customer-oriented & innovation-driven reinsurance” by focusing on customers’ needs and improving the customer manager mechanism. We further enhanced the quality and efficiency of client services in an orderly manner through actively exploring innovative approaches to client services. As at the end of the Reporting Period, we maintained business relationships with 84 domestic P&C insurance companies, covering 96.6% of P&C insurance companies; we were the lead reinsurer for 37% 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.

Overseas P&C Reinsurance and Chaucer Business¹

Overseas P&C reinsurance business in this section includes 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 2021, we fully leveraged the market’s hardening trend, seized the opportunities of rising rates, and actively optimised and adjusted our business portfolio. We achieved positive results in improving business quality and significantly improved our operating results. Gross written premiums from overseas P&C reinsurance and Chaucer business amounted to RMB9,667 million, representing a year-on-year increase of 9.1%². The combined ratio was 92.34%, representing a year-on-year decrease of 19.25 percentage points.

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

	New criteria			Original criteria (before intra-segment eliminations)		
	For the six months ended 30 June			For the six months ended 30 June		
	2021	2020	Change	2021	2020	Change
Loss ratio (%)	52.38	68.75	Decrease by 16.37 percentage points	52.11	69.32	Decrease by 17.21 percentage points
Expense ratio (%)	39.96	42.84	Decrease by 2.88 percentage points	40.03	41.00	Decrease by 0.97 percentage points
Combined ratio (%)	92.34	111.59	Decrease by 19.25 percentage points	92.14	110.32	Decrease by 18.18 percentage points

- Notes:*
1. Data in business analysis of this section was changed from the criteria of financial statements of each platform of overseas P&C reinsurance and Chaucer to the management criteria that reversed the internal related-party transactions of the segment to better reflect the practical operation.
 2. Gross written premiums of original criteria (before intra-segment eliminations) amounted to RMB10,805 million, representing a year-on-year increase of 11.11%.

Overseas P&C Reinsurance Business

In the first half of 2021, gross written premiums from our overseas P&C reinsurance business amounted to RMB2,281 million, representing a year-on-year decrease of 6.6%¹. The decrease in written premiums was mainly due to active optimization and adjustment of our business portfolio.

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

	New criteria			Original criteria (before intra-segment eliminations)		
	For the six months ended 30 June			For the six months ended 30 June		
	2021	2020	Change	2021	2020	Change
Loss ratio (%)	69.11	76.58	Decrease by 7.47 percentage points	62.83	77.52	Decrease by 14.69 percentage points
Expense ratio (%)	29.22	32.14	Decrease by 2.92 percentage points	31.37	33.73	Decrease by 2.36 percentage points
Combined ratio (%)	98.33	108.72	Decrease by 10.39 percentage points	94.20	111.25	Decrease by 17.05 percentage points

- Note:*
1. Gross written premiums of original criteria (before intra-segment eliminations) amounted to RMB3,420 million, representing a year-on-year increase of 3.42%.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,208	96.8	2,207	90.4
Facultative reinsurance	105	4.6	173	7.1
Primary insurance	(32)	(1.4)	61	2.5
Total	2,281	100.0	2,441	100.0

In terms of lines of business, our overseas P&C reinsurance business mainly provided coverage for non-marine, specialty and liability 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				
	2021		Year-on-year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Non-marine	1,634	71.6	(3.7)	1,696	69.5
Specialty	284	12.4	(20.9)	359	14.7
Liability	114	5.0	(41.2)	194	7.9
Others ¹	250	10.9	30.2	192	7.9
Total	2,281	100.0	(6.6)	2,441	100.0

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

In terms of business channels, we adhered to the principle of long-term cooperation and mutual benefit to establish a balanced and stable network of business channels. We continued to use brokers as our main source of business, focused on consolidating and strengthening 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 clients, we continuously developed quality clients based on our management philosophy of prioritising profitability while valuing service quality. We established long-term and stable business relationships with quality and core clients to target their profitable ceding business. We established comprehensive cooperation relationships with various internationally renowned major ceding companies and increased our efforts in developing quality regional clients by leveraging the geographical advantages of different international platforms which all contributed to significant results in expansion of quality client base.

In terms of service ability, our quotation ability continued to improve, and our service quality received more client recognition. Leveraging our talents and 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 exert our advantages of the synergy between domestic and overseas business especially in promoting the Belt and Road related business development and in safeguarding the overseas interests of Chinese clients.

Chaucer Business

In the first half of 2021, the gross written premiums from Chaucer amounted to RMB7,386 million, representing a year-on-year increase of 15.1%. The combined ratio was 89.74%¹, representing a year-on-year decrease of 22.16 percentage points. The primary reason for the decrease in combined ratio was that: by leveraging its own strengths, Chaucer seized the opportunity of rising market rates, expanded into new businesses through strengthening the professional capability of its underwriting team in the business lines of reinsurance, property insurance, political violence insurance, and accident and health insurance, and further expanded the scale of its advantageous businesses. At the same time, we made efforts to improve the policy terms and conditions, and took initiatives to adjust the underperforming businesses, hence our overall business quality has further been improved. The premium of contracts led by Chaucer accounted for approximately 48% of its overall gross written premiums. Chaucer is one of a limited number of Lloyd's market entities with substantial contract leadership capabilities.

The following table sets forth the loss ratio, expense ratio and combined ratio of Chaucer business for the reporting periods indicated:

	New criteria			Original criteria (before intra-segment eliminations)		
	For the six months ended 30 June			For the six months ended 30 June		
	2021	2020	Change	2021	2020	Change
Loss ratio (%)	45.13	62.11	Decrease by 16.98 percentage points	45.54	63.70	Decrease by 18.16 percentage points
Expense ratio (%)	44.61	49.79	Decrease by 5.18 percentage points	45.34	45.98	Decrease by 0.64 percentage points
Combined ratio (%)	89.74	111.90	Decrease by 22.16 percentage points	90.88	109.68	Decrease by 18.80 percentage points

Note: 1. Under the UK GAAP, the combined ratio of Chaucer was 86.20%, which was different from that under the International Accounting Standards due to the different treatment for exchange gains and losses as well as reserve discounting and risk margin.

In terms of types of business and lines of business, Chaucer business consists 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

Type of business	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,830	38.3	2,213	34.5
Facultative reinsurance	1,603	21.7	1,588	24.7
Primary insurance	2,953	40.0	2,617	40.8
Total	7,386	100.0	6,418	100.0

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

Unit: in RMB millions, except for percentages

Line of business	For the six months ended 30 June				
	2021		Year-on-year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Casualty and political risk/ credit insurance	1,807	24.5	13.3	1,595	24.8
Marine, energy, space and aviation, nuclear insurance	1,430	19.4	10.3	1,297	20.2
Property and political violence insurance	1,195	16.2	16.6	1,025	16.0
Others ¹	2,953	40.0	18.1	2,501	39.0
Total	7,386	100.0	15.1	6,418	100.0

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

In terms of business channels, the broker channel is the main source of business of Chaucer. 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.

In terms of professional capability, we have a management team that has rich experience in insurance sector. The current senior management team is highly experienced, with an average term in office of Chaucer for approximately 17 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 risk and nuclear insurance, 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. In addition, 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 service platforms, with headquarters in London, and international branches for Europe, the Middle East and North Africa, 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 GBP1.1 billion, making us one of the leading platforms with substantial contract leadership capabilities in Lloyd's market. On the other hand, CIC (Chaucer Insurance Company DAC) can provide company market platforms. CIC is also eligible to write excess and surplus lines business in the United States and provides Chaucer with continued access to the EU markets to offer customers more flexible options after Brexit. Furthermore, CIC established a branch in Bermuda in 2020 and provides professional underwriting services to North American customers through professional reinsurance products such as property insurance, liability insurance and specialty insurance.

In terms of product innovation, we increased investment in product innovation and endeavour to explore smarter and more efficient underwriting capabilities. Leveraging technologies such as machine learning and AI, we launched a parametric cyber multi-peril insurance product for small businesses, and developed and applied a next-generation digital underwriting platform for high volume specialty products.

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 2021, our reinsurance premium income from business via the CNIP platform amounted to RMB80 million.

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the six months ended 30 June		
	2021	2020	Change (%)
Gross written premiums	25,403	27,078	(6.2)
Less: Premiums ceded to reinsurers and retrocessionaires	(2,938)	(3,047)	(3.6)
Net written premiums	22,466	24,031	(6.5)
Changes in unearned premium reserves	(811)	(2,611)	(68.9)
Net premiums earned	21,654	21,420	1.1
Reinsurance commission income	297	411	(27.7)
Investment income	2,178	1,637	33.0
Exchange gains/(losses), net	147	1	14,600.0
Other income	41	55	(25.5)
Total income	24,317	23,524	3.4
Claims and policyholders' benefits	(14,025)	(13,622)	3.0
Handling charges and commissions	(6,372)	(7,949)	(19.8)
Finance costs	(369)	(301)	22.6
Other operating and administrative expenses	(1,119)	(895)	25.0
Total benefits, claims and expenses	(21,885)	(22,767)	(3.9)
Share of profits and losses of associates	141	16	781.3
Profit before tax	2,573	773	232.9
Income tax	(517)	(74)	598.7
Net profit	2,056	699	194.1

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

Gross Written Premiums

Gross written premiums of our P&C reinsurance segment decreased by 6.2% from RMB27,078 million in the first half of 2020 to RMB25,403 million in the first half of 2021, mainly due to the decrease in premium income of domestic businesses as a result of (i) a decrease in premium income from motor vehicle insurance as affected by the impacts of the comprehensive reform of motor vehicle insurance; and (ii) a decrease in agricultural insurance premium income following our withdrawal from the agricultural insurance business under the operating mechanism of China Agricultural Reinsurance Pool.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires for our P&C reinsurance segment decreased by 3.6% from RMB3,047 million in the first half of 2020 to RMB2,938 million in the first half of 2021, mainly due to the adjustment in retrocession arrangements and the increase in retained premiums.

Investment Income

Investment income from our P&C reinsurance segment increased by 33.0% from RMB1,637 million in the first half of 2020 to RMB2,178 million in the first half of 2021. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment increased by 3.0% from RMB13,622 million in the first half of 2020 to RMB14,025 million in the first half of 2021, mainly due to the impact of the comprehensive reform of motor vehicle insurance and major risk events which led to the corresponding increase in claims and policyholders' benefits.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment decreased by 19.8% from RMB7,949 million in the first half of 2020 to RMB6,372 million in the first half of 2021, mainly due to the impact of changes in the conditions of the undertaking business.

Share of Profits and Losses of Associates

Share of profits and losses of associates for our P&C reinsurance segment increased by 781.3% from RMB16 million in the first half of 2020 to RMB141 million in the first half of 2021, mainly due to the increase in profits of our associates in the first half of 2021.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 194.1% from RMB699 million in the first half of 2020 to RMB2,056 million in the first half of 2021.

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 2021, due to the impact of the COVID-19 Pandemic and other factors, the prospect of the global economic recovery remained rather cloudy. Following the growth halt of the traditional agent channel business and transformation of insurance products, the domestic life insurance industry experienced deep negative growth in new premiums, and the growth rate of health insurance premiums experienced a significant slowdown. We actively overcame the adverse impact of the industry, took the initiative for innovation development and remained steady development of our core business. We continued to optimise our business structure, promoted asset-liability synergy, achieved relatively rapid growth in profitability, and effectively managed risks on the whole. We strategically developed the protection-type reinsurance business, facilitated the supply-side structural reform of the industry with “Product+” and “Data+” strategies and effectively managed business risks. We helped China Association of Actuaries with the compilation project of the Table of Incidence Rate of Accidental Injury Experience in China Insurance Industry (2021) (《中國保險業意外傷害經驗發生率表(2021)》), joined hands with partners to participate in a number of local governments’ inclusive health insurance programs, explored innovative insurance payment model for specialty drugs, and promoted the integration of health insurance products and health industry. We achieved diversified development in savings-type reinsurance business, strengthened coordinated innovation in domestic and overseas markets, and attached great importance to cost control and asset-liability management. We developed financial reinsurance business under the premise of compliance and improved management of existing business. We continued paying close attention to the credit risk and compliance risk of counterparties. China Re HK has fully brought into play its advantages in the coordination of domestic and overseas markets to actively expand its foreign-currency savings-type business, providing reinsurance solutions with China Re’s characteristics for Hong Kong, Singapore, Japan and surrounding markets. We are in a solid competitive position in both the mainland and Hong Kong markets. In the mainland market, we have maintained the highest proportion of reinsurance contracts being entered into as leading reinsurer in all reinsurance contracts.

In the first half of 2021, reinsurance premium income from our life and health reinsurance segment amounted to RMB35,439 million, representing a year-on-year decrease of 29.8% and accounting for 42.0% of the Group’s gross written premiums (before inter-segment eliminations). The decrease is mainly due to impact of some large transactions in the corresponding period. Net profit amounted to RMB1,567 million, representing a year-on-year increase of 79.1%, and annualised weighted average return on equity reached 11.86%, of which reinsurance premium income from China Re Life (consolidated with China Re HK) amounted to RMB35,501 million, representing a year-on-year decrease of 29.4%; total written premiums (“TWPs”) amounted to RMB37,459 million (including TWPs of RMB1,958 million from savings-type non-insurance business).

Considering the business significance and operational independence of China Re Life (consolidated with China Re HK), and given that the reinsurance premium income from China Re Life (consolidated with China Re HK) are the main part 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 (consolidated with China Re HK).

Business Analysis

In terms of business lines, the growth rate of the protection-type reinsurance business had visibly slowed down; the domestic savings-type reinsurance business declined as a result of the Company's cost control measures; the overseas savings-type business basically remained stable; and the financial reinsurance business recorded a relatively large year-on-year decline due to the high gross written premiums in the same period last year.

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

Unit: in RMB millions, except for percentages

Business line	For the six months ended 30 June				
	2021		Year-on -year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic protection-type reinsurance	11,998	33.8	3.8	11,559	23.0
Domestic savings-type reinsurance	2,819	7.9	(73.1)	10,483	20.8
Domestic financial reinsurance	12,055	34.0	(38.3)	19,540	38.9
Domestic in total	26,872	75.7	(35.4)	41,582	82.7
Overseas savings-type reinsurance	8,459	23.8	1.1	8,369	16.6
Other overseas business	170	0.5	(49.3)	335	0.7
Overseas in total	8,629	24.3	(0.9)	8,704	17.3
Total	35,501	100.0	(29.4)	50,286	100.0

In addition, we continued developing savings-type non-insurance business on the precondition of ensuring our business margin. The following table sets forth the TWPs of the savings-type non-insurance business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Non-insurance business	For the six months ended 30 June				
	2021		Year-on -year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Domestic savings-type non-insurance	1,838	93.9	(42.8)	3,212	99.9
Overseas savings-type non-insurance	120	6.1	3,900	3	0.1
Total	1,958	100.0	(39.1)	3,215	100.0

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 2021, due to the impact of some large transactions of savings-type business and the financial reinsurance business, the reinsurance premium income from our domestic life and health reinsurance business amounted to RMB26,872 million, representing a year-on-year decrease of 35.4%; and the TWPs amounted to RMB28,710 million (including TWPs of RMB1,838 million from savings-type non-insurance business), representing a year-on-year decrease of 35.9%.

In respect of the protection-type reinsurance business, we overcame a series of adverse impacts from industry including halt sales and upgrade of short-term health insurance products forced by new regulation, the crowding-out effect of long-term medical care insurance and sales pressure from new critical illnesses insurance. We achieved steady development with reinsurance premium income amounted to RMB11,998 million in the first half of 2021, representing a year-on-year increase of 3.8%. Of which, reinsurance premium income of RMB5,533 million is from the yearly renewable term reinsurance business¹ and RMB4,195 million is from the mid-end medical care insurance business, the total of the above is RMB9,728 million, stably accounting for 81.1% of reinsurance premium income from the protection-type reinsurance business. Facing severe challenges of the industry development, we held onto the traditional track on the one hand by developing new businesses such as new critical illness insurance and long-term medical insurance subject to risk control. On the other hand, we promoted the innovation track, continued to consolidate our development strengths in the health insurance sector by expanding our insurance population to include the sick and elderly, seeking breakthroughs through extensional development such as innovative payment methods and health industry integration, accelerating cooperation with Internet intermediaries, government and other platform institutions, and became the most active reinsurer in the field by striving for securing Hui Min Bao business in key cities. In addition, while actively exploring new business growth opportunities and continuously optimising business structure, we actively carried out business risk mitigation and prevention work, and conducted in-depth research on the risk control of long-term medical care insurance, which deepened the work

of “Data + Risk Prevention and Control”. The means of the above include experience analyses, data co-creation, risk control model research and development, product iteration, etc. With the combined effect of innovation-driven and risk control, the combined ratio (excluding operating and administrative expenses) after retrocession of the short-term protection-type business was 97.42%, indicating stable business quality, with underwriting profits of RMB227 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 certain proportion of net amount at risk at an annual rate.

In respect of the savings-type reinsurance business, reinsurance premium income amounted to RMB2,819 million in the first half of 2021, representing a year-on-year decrease of 73.1%, and the TWPs amounted to RMB4,657 million (including TWPs of RMB1,838 million from savings-type non-insurance business), representing a year-on-year decrease of 66.0%. We proactively responded to adverse circumstances such as the downward pressure on interest rates and cost rigidity in the domestic market, and strictly controlled domestic business costs. We seized the favourable opportunities when the costs of foreign currency were low and prioritised the development of overseas foreign currency business.

In respect of the financial reinsurance business, reinsurance premium income amounted to RMB12,055 million in the first half of 2021, representing a year-on-year decrease of 38.3%. We paid close attention to changes in the regulatory policies, strengthened business model innovation and analyses of counterparty risk, improved capital optimisation and enhanced the efficiency of capital usage.

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 2021, the reinsurance premium income from our overseas life and health reinsurance business amounted to RMB8,629 million, representing a year-on-year decrease of 0.9%; and the TWPs amounted to RMB8,749 million (including TWPs of RMB120 million from savings-type non-insurance business), representing a year-on-year increase of 0.5%, of which the reinsurance premium income from China Re Life and China Re HK (after intra-group eliminations) amounted to RMB5,181 million and RMB3,448 million respectively.

In respect of the overseas savings-type reinsurance business, reinsurance premium income amounted to RMB8,459 million in the first half of 2021, representing a year-on-year increase of 1.1%; and the TWPs amounted to RMB8,579 million (including TWPs of RMB120 million from savings-type non-insurance business), representing a year-on-year increase of 2.5%. The Company expanded its business through multiple channels such as entering the Japanese market. We seized the favourable opportunity of low-cost foreign currency, actively explored existing business and achieved the increase in scale of overseas savings-type business.

In respect of other overseas business, reinsurance premium income amounted to RMB170 million in the first half of 2021, representing a year-on-year decrease of 49.3%.

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.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	35,395	99.7	50,220	99.9
Facultative reinsurance	106	0.3	66	0.1
Total	35,501	100.0	50,286	100.0

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

Unit: in RMB millions, except for percentages

Form of cession	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	35,482	99.9	50,247	99.9
Non-proportional reinsurance	19	0.1	39	0.1
Total	35,501	100.0	50,286	100.0

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

Line of business	For the six months ended 30 June				
	2021		Year-on -year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Life	24,141	68.0	(38.3)	39,121	77.8
Health	10,089	28.4	1.5	9,937	19.8
Accident	1,271	3.6	3.5	1,228	2.4
Total	35,501	100.0	(29.4)	50,286	100.0

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the six months ended 30 June		
	2021	2020	Change (%)
Gross written premiums	35,439	50,500	(29.8)
Less: premiums ceded to retrocessionaires	(4,451)	(3,274)	35.9
Net written premiums	30,988	47,226	(34.4)
Changes in unearned premium reserves	(414)	(1,164)	(64.4)
Net premiums earned	30,573	46,063	(33.6)
Reinsurance commission income	511	700	(27.0)
Investment income	4,641	3,207	44.7
Exchange gains/(losses), net	53	(127)	—
Other income	793	924	(14.2)
Total income	36,571	50,767	(28.0)
Claims and policyholders' benefits	(30,277)	(45,648)	(33.7)
Handling charges and commissions	(2,727)	(3,295)	(17.2)
Finance costs	(254)	(217)	17.1
Other operating and administrative expenses	(1,913)	(995)	92.3
Total benefits, claims and expenses	(35,170)	(50,155)	(29.9)
Share of profits of associates	551	500	10.2
Profit before tax	1,952	1,112	75.5
Income tax	(385)	(237)	62.4
Net profit	1,567	875	79.1

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

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment decreased by 29.8% from RMB50,500 million in the first half of 2020 to RMB35,439 million in the first half of 2021, mainly due to the effect of non-protection-type reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 35.9% from RMB3,274 million in the first half of 2020 to RMB4,451 million in the first half of 2021, mainly due to the increase in premiums ceded to retrocessionaires from the savings-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment increased by 44.7% from RMB3,207 million in the first half of 2020 to RMB4,641 million in the first half of 2021. 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 decreased by 33.7% from RMB45,648 million in the first half of 2020 to RMB30,277 million in the first half of 2021, mainly due to the impact from changes in business scale.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment decreased by 17.2% from RMB3,295 million in the first half of 2020 to RMB2,727 million in the first half of 2021, mainly due to the impact from changes in the savings-type reinsurance business.

Share of Profits and Losses of Associates

Share of profits and losses of associates for our life and health reinsurance segment increased by 10.2% from RMB500 million in the first half of 2020 to RMB551 million in the first half of 2021, mainly due to the increase in profits of associates in the first half of 2021.

Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 79.1% from RMB875 million in the first half of 2020 to RMB1,567 million in the first half of 2021.

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 2021, we adhered to the philosophy of high-quality development, pursuant to which we witnessed our business structure improving continuously and our business development moving positively forward. We actively responded to the comprehensive reform of motor insurance, continued to deepen customer-oriented comprehensive operation, fully promoted the development and transformation of motor insurance, redoubled efforts in refined management of motor insurance clients, and effectively improved the quality of motor insurance business. We actively promoted the development layout of non-motor insurance, strengthened the quality management and control of “Non-motor”, and developed non-motor insurance businesses such as health insurance, liability insurance and agricultural insurance, and the proportion of premium from the non-motor insurance increased by 4.3 percentage points. We comprehensively strengthened the fundamental management work. Through organisational optimisation, compliance and risk control, technology empowerment and other measures, we created a new development horizon, laying a solid foundation for the Company’s healthy and sustainable development.

In the first half of 2021, gross written premiums from our primary P&C insurance segment amounted to RMB23,585 million, representing a year-on-year decrease of 8.5% and accounting for 27.9% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB23,332 million, representing a year-on-year decrease of 8.4%. Net loss was RMB98 million. The combined ratio was 110.28%, representing a year-on-year increase of 8.35 percentage points. Of such combined ratio, the loss ratio and expense ratio were 73.19% and 37.09% respectively, representing a year-on-year increase of 15.35 percentage points and a year-on-year decrease of 7.00 percentage points respectively. The year-on-year increase in the combined ratio was mainly because, with the deepening of the comprehensive reform of motor insurance, our business structure optimisation and cost control are still ongoing, and the decrease in expense ratio is significantly lower than the increase in loss ratio.

Based on primary premium income of P&C insurance companies in the domestic market in the first half of 2021 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.1%, lower than the same period of last year.

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

Line of business	For the six months ended 30 June				
	2021		Year-on -year change (%)	2020	
	Amount	Percentage (%)		Amount	Percentage (%)
Motor	12,047	51.6	(15.4)	14,238	55.9
Accident and short-term health	4,436	19.0	11.5	3,980	15.6
Surety	2,348	10.1	(27.8)	3,252	12.8
Liability	1,530	6.6	24.0	1,234	4.8
Cargo	738	3.2	(6.1)	786	3.1
Agriculture	569	2.4	25.9	452	1.8
Others ¹	1,664	7.1	9.0	1,527	6.0
Total	23,332	100.0	(8.4)	25,469	100.0

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

Motor Insurance. In the first half of 2021, primary premium income from our motor insurance amounted to RMB12,047 million, representing a year-on-year decrease of 15.4%. We strove to optimise our motor insurance business operation, guided by the principle of comprehensive operation of motor insurance, and took “motor +X” business as the main line by adhering to the red line of our motor insurance policy costs. By optimising the risk pricing model, we improved our pricing risk screening capability to achieve precise resource allocation. We strengthened the quality control of our motor insurance business, increased the coverage ratio of our quality insurance products for household vehicles, and improved premium adequacy to optimise business structure and quality, promoting the healthy development of our motor insurance business.

Accident and Short-term Health Insurance. In the first half of 2021, primary premium income from accident and short-term health insurance amounted to RMB4,436 million, representing a year-on-year increase of 11.5%, of which primary premium income from accident insurance amounted to RMB1,545 million, representing a year-on-year increase of 10.8%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB1,654 million, representing a year-on-year increase of 5.3%; primary premium income from critical illness insurance amounted to RMB1,237 million, representing a year-on-year increase of 21.9%. We continued to deepen the customer-oriented comprehensive operation, explored and expanded individual customers' needs for health insurance, and continued to optimise our business structure. 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 actively.

Surety Insurance. In the first half of 2021, primary premium income from surety insurance amounted to RMB2,348 million, representing a year-on-year decrease of 27.8%. We adjusted and transformed our surety insurance business to further improve our management efficiency. We carried out differentiated management by business segment, cancelled and merged the weaker segments and encouraged high-performing segments to aim for high-quality development. We optimised our mode of operation, actively promoted the construction of recovery sub-centres, and further improved the level of standardised operation and centralised management, whereby the overdue control indicator reached a superior pre-Pandemic level, the bad debt rate was further reduced to 7.2%. We promoted the development of remote face-to-face policy signing and implemented centralised risk control, and the proportion of centralised face-to-face policy signing has reached 90%, effectively solving existing problems of face-to-face policy signing standardisation, saving the manpower required thereby and improving per capita efficiency.

Liability Insurance. In the first half of 2021, primary premium income from liability insurance amounted to RMB1,530 million, representing a year-on-year increase of 24.0%. We actively served the national strategies of “six stabilities” and “six securities”, and focused on the development of safe production liability insurance, construction inherent defects insurance, carrier liability insurance, employer liability insurance and other business lines, thus maintaining a positive development trend for liability insurance business.

Cargo Insurance. In the first half 2021, primary premium income from cargo insurance amounted to RMB738 million, representing a year-on-year decrease of 6.1%. The decrease in business was mainly attributable to the decline in the scale of return freight insurance of online shopping, except for which other business lines maintained a steady development. In order to help enterprises that imported cold-chain foods lower risks and reduce operating pressure, we have developed the COVID-19-contaminated goods loss insurance, providing risk protection of over RMB1 billion for customers.

Agricultural Insurance. In the first half of 2021, primary premium income from agricultural insurance amounted to RMB569 million, representing a year-on-year increase of 25.9%. We continued to improve the operating conditions of agricultural insurance business. In the first half of the year, we added 16 new branches to the local insurance company directory that met the operating conditions for agricultural insurance business. We actively engaged in policy selection projects for agricultural insurance, continued to innovate and develop insurance products, and focused on exploring insurance for agricultural products with local characteristics, weather index insurance, price index insurance, “insurance + futures”, income insurance and other innovative fields. Forty-eight innovative products were developed and filed in the first half of the year.

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			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	13,602	58.3	15,263	59.9
Of which: Individual insurance agents	8,673	37.2	9,706	38.1
Ancillary insurance agencies	1,181	5.1	1,645	6.5
Professional insurance agencies	3,748	16.0	3,912	15.3
Direct sales	7,650	32.8	8,123	31.9
Insurance brokers	2,080	8.9	2,083	8.2
Total	23,332	100.0	25,469	100.0

Analysis by Region

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

Unit: in RMB millions, except for percentages

Region	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	3,685	15.8	4,429	17.4
Zhejiang	1,894	8.1	2,101	8.2
Yunnan	1,716	7.4	1,833	7.2
Shandong	1,359	5.8	1,359	5.3
Inner Mongolia	993	4.3	1,156	4.5
Jiangxi	902	3.9	996	3.9
Henan	875	3.8	927	3.6
Sichuan	856	3.7	793	3.1
Shaanxi	760	3.3	538	2.1
Chongqing	732	3.1	797	3.1
Others	9,560	41.0	10,540	41.4
Total	23,332	100.0	25,469	100.0

Combined Ratio

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

	For the six months ended 30 June	
	2021	2020
Loss ratio (%)	73.19	57.84
Expense ratio (%) ¹	37.09	44.09
Combined ratio (%)	110.28	101.93

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

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the six months ended 30 June		
	2021	2020	Change (%)
Gross written premiums	23,585	25,763	(8.5)
Less: premiums ceded to reinsurers	(2,629)	(2,696)	(2.5)
Net written premiums	20,957	23,067	(9.1)
Changes in unearned premium reserves	(2,389)	(1,466)	62.9
Net premiums earned	18,568	21,601	(14.0)
Reinsurance commission income	688	930	(26.0)
Investment income	1,936	1,566	23.6
Exchange (losses)/gains, net	(7)	29	—
Other income	50	691	(92.8)
Total income	21,235	24,817	(14.4)
Claims and policyholders' benefits	(13,575)	(12,542)	8.2
Handling charges and commissions	(2,268)	(3,434)	(34.0)
Finance costs	(74)	(90)	(17.8)
Other operating and administrative expenses	(5,536)	(7,717)	(28.3)
Total benefits, claims and expenses	(21,452)	(23,783)	(9.8)
Share of profits of associates	47	1	4,600.0
Profit before tax	(169)	1,035	—
Income tax	71	(237)	—
Net profit	(98)	798	—

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

Gross written premiums

Gross written premiums for our primary P&C insurance segment decreased by 8.5% from RMB25,763 million in the first half of 2020 to RMB23,585 million in the first half of 2021, mainly due to the decrease in premium income of motor insurance and personal loan surety insurance.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment decreased by 2.5% from RMB2,696 million in the first half of 2020 to RMB2,629 million in the first half of 2021, mainly due to the decrease in gross written premiums, which led to a corresponding decrease in premiums ceded to reinsurers.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment decreased by 26.0% from RMB930 million in the first half of 2020 to RMB688 million in the first half of 2021, mainly due to the decline of reinsurance commission income ratio as a result of the comprehensive reform policies of motor insurance.

Investment Income

Investment income for our primary P&C insurance segment increased by 23.6% from RMB1,566 million in the first half of 2020 to RMB1,936 million in the first half of 2021. 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 primary P&C insurance segment increased by 8.2% from RMB12,542 million in the first half of 2020 to RMB13,575 million in the first half of 2021, mainly due to the increase of loss ratio for motor insurance as a result of the effective implementation of policies for comprehensive reform of motor insurance.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment decreased by 34.0% from RMB3,434 million in the first half of 2020 to RMB2,268 million in the first half of 2021, mainly due to a significant decrease in handling charges and commissions as a result of continuous deepening of the comprehensive reform of motor insurance.

Net profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment changed from RMB798 million in the first half of 2020 to a loss of RMB98 million in the first half of 2021.

Asset Management Business

In the first half of 2021, with the advancement of vaccination programmes, the external economy has witnessed a synchronised recovery, and the peripheral stock markets have delivered strong performance. The domestic economy continued to recover, and investment in real estate remained resilient. Imports and exports remained at a high level, and manufacturing industry investment gradually recovered, while consumption rebounded more slowly. In the latter part of the second quarter, the momentum of domestic economic recovery weakened, and economic growth gradually returned to a potential growth rate. The domestic stock market leaped high and finished low, showing differentiation in style, with a slight rise of the Hang Seng Index. The yield of the domestic bond market fluctuated downward.

As at the end of the Reporting Period, the balance of assets under the management of the Group amounted to RMB345,782 million, of which the total investment assets balance of the Group was RMB321,479 million, representing an increase of 4.4% from the end of the previous year; the balance of investment assets under the management of China Re AMC was RMB285,548 million.

Investment Portfolio

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

Investment assets	<i>Unit: in RMB millions, except for percentages</i>			
	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	18,379	5.7	13,872	4.5
Fixed-income investments	241,205	75.0	230,948	75.0
Time deposits	14,897	4.6	19,905	6.5
Bonds	160,025	49.8	143,091	46.5
Government bonds	14,098	4.4	11,482	3.7
Financial bonds	22,991	7.2	19,201	6.2
Enterprise (corporate) bonds	112,015	34.8	104,765	34.1
Subordinated bonds	10,921	3.4	7,643	2.5
Investments classified as loans and receivables	37,103	11.5	41,236	13.3
Other fixed-income investments ¹	29,180	9.1	26,716	8.7
Equity and investment funds	58,608	18.2	60,444	19.6
Investment funds ²	23,777	7.3	23,814	7.7
Stocks	26,528	8.3	28,024	9.1
Unlisted equity shares ³	8,303	2.6	8,606	2.8
Other investments	32,648	10.2	32,096	10.4
Investment in associates	26,349	8.2	25,758	8.4
Others ⁴	6,299	2.0	6,338	2.0
Less: Securities sold under agreements to repurchase	(29,361)	(9.1)	(29,403)	(9.5)
Total investment assets	321,479	100.0	307,957	100.0

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.

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. For fixed income investment, first, we continued to play the role of a “ballast” in respect of domestic fixed income by capturing the allocation pattern at the beginning of the year to substantially increase our bond allocation, and increased investment in bond funds and stable “fixed income +” products; second, we prudently opened positions for overseas fixed income to control portfolio durations and strictly control credit risks. For equity investment, we optimized the asset allocation structure to realize gains in a timely manner by seizing opportunities arising from fluctuations in equity market.

As at the end of the Reporting Period, in terms of par value, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life, China Continent Insurance and products from insurance asset managers for management with China Re AMC acting as the trustee in aggregate held city investment bonds accounting for 9.11% of investment assets under the management of China Re AMC, local state-owned enterprise bonds (including industrial and city investment enterprises) accounting for 22.03%, and held none capital supplementation bonds of city commercial banks/rural commercial banks. Currently, there is no bond default.

As at the end of the Reporting Period, the domestic assets entrusted by the Group Company, China Re P&C, China Re Life and China Continent Insurance to China Re AMC for management in aggregate directly held non-standard assets¹ which accounted for 12.78% of investment assets under the management of China Re AMC, of which those with an external rating of AA+ and above accounted for 81.32%. The top three industries in terms of positions held were real estate, transportation and public utilities, accounting for 43.92%, 19.45%, and 17.79%, respectively.

Note: 1. The non-standard assets include five types of assets of the trust company collective fund trust plans, the infrastructure debt investment plans, the equity investment plans, the project asset support plans, and the real estate debt investment plans.

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

During the Reporting Period, we have been actively responding to the external changes of the COVID-19 Pandemic and the aggravation of capital market credit risks. We built corporate concentration limit indicators on the basis of industry and regional risk limits for credit products, forming annual credit risk limits to enrich the limit index system, aligning credit risk limits with corporate credit internal rating system and carrying out monitoring. In terms of rating and credit management, we conducted timely research on industry default cases, continuously optimised the corporate credit granting mechanism, and improved the rating model based on industry experience data and debt credit enhancement measurement, making them more accurate in reflecting the changes of corporate credit risks and more effectively managing credit risk exposure.

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. From 2020, China Re AMC has taken legal measures on behalf of the investment plan due to failure of the debt-servicing entity and the guarantor of the investment plan to make timely payments relating to the investment plan.

With continuous improvement of asset quality and constant enhancement of the wealth management business, China Everbright Bank continued to keep the momentum of steady operation and development. As at the end of the Reporting Period, China Re Group held approximately 4.29% 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.

In order to give full play to the role of financial asset management companies in resolving financial risks, Great Wall Asset has clarified the strategic goal of “focusing on high-quality development of core business” in recent years, and continued to enhance its competitiveness in main businesses. In the second half of 2021, Great Wall Asset will continue to acquire various non-performing assets, and stayed committed to revitalising existing resources, so as to facilitate business entities navigate through adversities and maintain a steady growth in its performance. As at the end of the Reporting Period, China Re P&C and China Continent Insurance respectively held 3.64% and 2.86% of Great Wall Asset’s equity interest, China Re Group held 6.5% of Great Wall Asset’s equity interest 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 RMB3,089 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. As at the end of the Reporting Period, 99.9% of the transaction price of the project has been paid, amounting to RMB3,086 million in total. The project is now completed and delivered.

Investment Performance

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

Unit: in RMB millions, except for percentages

Investment income	For the six months ended 30 June	
	2021	2020
Cash and fixed-income investments	4,769	4,515
Interest income	4,948	4,718
Realised (losses)/gains	(57)	85
Unrealised gains/(losses)	83	(182)
Impairment losses	(205)	(106)
Equity and investment funds	4,580	2,224
Dividend income	933	686
Realised gains	3,619	1,702
Unrealised gains	55	49
Impairment losses	(27)	(213)
Other investments	1,243	1,086
Total investment income from investment in associates	1,203	815
Other profit or loss ¹	40	271
Less: interest expenses on securities sold under agreements to repurchase	(290)	(260)
Total investment income ²	10,302	7,565
Annualised total investment yield (%) ²	6.55	5.48
Net investment income ³	7,205	6,407
Annualised net investment yield (%) ³	4.58	4.64

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 profit or loss 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 × 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 – financial liabilities at fair value through profit or loss – securities sold under agreements to repurchase.

3. Net investment income = Interest income + dividend income + rental income + share of profit or loss of associates;

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

In the first half of 2021, the Group's total investment income was RMB10,302 million, representing a year-on-year increase of 36.2%, and the net investment income was RMB7,205 million, representing a year-on-year increase of 12.5%. The increase in our investment income was mainly due to the optimization of asset allocation structure, the realisation of excess returns by capitalising on the opportunities of fluctuations in the equity market, and cashing in certain floating profits based on our judgment on the market. The investment income reached a year-on-year increase. The annualised total investment yield was 6.55%, representing a year-on-year increase of 1.07 percentage points, and the annualised net investment yield was 4.58%, representing a year-on-year decrease of 0.06 percentage points.

Insurance Intermediary Business

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and its subsidiary, Huatai Surveyors & Adjusters Company. In the first half of 2021, against a general environment of intensifying competition and tightening regulatory policies in the insurance intermediary market, we adhered to the general principle of making progress while ensuring stability and striving for innovation and transformation, and strove to boost the “Going Out” marketing, industrial layout and coordinated development, thereby achieving the rapid growth of business scale and steady improvement of operating efficiency.

In the first half of 2021, revenue from insurance intermediary business amounted to RMB272 million, representing a year-on-year increase of 68.1%. Profit before tax amounted to RMB2.82 million, representing a year-on-year increase of 14.7%.

Solvency

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

Unit: in RMB millions, except for percentages

	30 June 2021	31 December 2020	Change (%)
China Re Group			
Core capital	90,877	94,837	(4.2)
Available capital	103,874	107,834	(3.7)
Minimum capital	52,697	50,169	5.0
Core solvency adequacy ratio (%)	172	189	Decrease of 17 percentage points
Aggregated solvency adequacy ratio (%)	197	215	Decrease of 18 percentage points
Group Company			
Core capital	74,768	79,402	(5.8)
Available capital	74,768	79,402	(5.8)
Minimum capital	14,446	13,248	9.0
Core solvency adequacy ratio (%)	518	599	Decrease of 82 percentage points
Aggregated solvency adequacy ratio (%)	518	599	Decrease of 82 percentage points

	30 June 2021	31 December 2020	Change (%)
China Re P&C			
Core capital	22,719	21,812	4.2
Available capital	30,718	29,811	3.0
Minimum capital	13,476	12,904	4.4
Core solvency adequacy ratio (%)	169	169	Decrease of 0.4 percentage points
Aggregated solvency adequacy ratio (%)	228	231	Decrease of 3 percentage points
China Re Life			
Core capital	30,180	28,631	5.4
Available capital	35,178	33,629	4.6
Minimum capital	15,680	14,663	6.9
Core solvency adequacy ratio (%)	192	195	Decrease of 3 percentage points
Aggregated solvency adequacy ratio (%)	224	229	Decrease of 5 percentage points
China Continent Insurance			
Core capital	25,933	26,292	(1.4)
Available capital	25,933	26,292	(1.4)
Minimum capital	7,391	7,786	(5.1)
Core solvency adequacy ratio (%)	351	338	Increase of 13 percentage points
Aggregated solvency adequacy ratio (%)	351	338	Increase of 13 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 2021 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.

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 2020, the consolidated solvency adequacy ratio of China Re Group decreased, mainly due to the overall increased business of China Re 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 increased, mainly due to the decrease in minimum capital as a result of change in business structure.

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 2021 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 2021:

Unit: in RMB millions

Entity Indicators	Group Company	China Re P&C	China Re Life	China Continent Insurance
	As at 30 June 2021			
Net assets	59,012	22,764	21,744	26,982
	For the six months ended 30 June 2021			
Insurance income	9,193	18,597	32,054	23,585
Net profit	556	1,341	1,781	(24)

- 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 2021 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.

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, British pounds 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 derivatives appropriately. As at 30 June 2021, the Group held foreign currency derivatives of RMB157 million (31 December 2020: RMB74 million).

Details of Assets Charged and Bank Borrowings

As at 30 June 2021, the bonds with carrying amount of RMB47,765 million (31 December 2020: RMB42,284 million) were deposited in the collateral pool as the securities sold under agreements to repurchase by the Group. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

As at 30 June 2021, 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.

As at 30 June 2021, 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 2021, the Group has issued the following guarantees:

- (1) As at 30 June 2021, the Company provided maritime guarantee of RMB1,957 million (31 December 2020: RMB2,266 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 2021, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 100 million (31 December 2020: GBP 100 million). As at 30 June 2021, CRIH provided letter of credit to Lloyd's to support Syndicate 1084's and Syndicate 1176's underwriting business of GBP 250 million totally (31 December 2020: GBP 250 million).
- (3) CRIH has entered into two Tier 1 securities lending arrangement for Funds at Lloyd's with two financial institutions. The facilities total GBP 80 million and USD50 million (December 31, 2020: GBP 80 million and USD50 million).

Employees

As of 30 June 2021, China Re Group had a total of 59,771 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.

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.

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 2021, the invested proceeds from the initial public offering of the Company amounted to HKD10,160 million, of which:

- (1) HKD7,716 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 did not use the proceeds.

As of the end of the Reporting Period, the balance of the proceeds from the Company's initial public offering amounted to HKD6,232 million, of which: GBP95 million was proposed to be used for the capital increase of China Re UK, which will be paid after obtaining all the approvals from 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.

Prospects

China Re Group will unswervingly adhere to “profitable development, market benchmarks, holding out the bottom line of risk compliance and digital transformation”, persist in the operational policy of “stabilising growth, adjusting structure, controlling risks and increasing profitability”, make progress while ensuring stability and enhance value, so as to become a world-class comprehensive reinsurance group with sustainable development capabilities and core competitiveness.

In terms of P&C reinsurance business, guided by high-quality development, we will accelerate the building of a reinsurance ecosystem, continuously deepen innovation as the driving force and technological empowerment, strengthen our position as a leading reinsurer in the domestic market, and deepen the integration of domestic and international businesses. For domestic businesses, we will continue to serve national strategies, continuously deepen and upgrade customer-oriented & innovation-driven reinsurance, continuously consolidate our edge in traditional businesses, proactively cultivate and develop emerging business, and enhance market leading skills. We will ride on market cycles, actively facilitate the optimisation of structural adjustment of overseas business, strengthen international business risk management, and step up efforts to drive the high-quality development of overseas business. We will continuously facilitate the research and development of the catastrophe model and promote its commercial application, upgrade the management technologies for catastrophe risks, expand the application of artificial intelligence and blockchain technology in operation and management, and continuously improve the level of digitisation and intelligent technology application.

For the life and health reinsurance business, we will release and implement new strategy under the overall planning of the Group. We will take major development opportunities such as digital transformation of the industry, the innovation and development of health insurance, and the construction of a comprehensive health ecosystem. Facing the major challenges such as IFRS 17 and the implementation of the “C-ROSS” Phase II, we will adhere to our strategic focus, enrich and develop strategic paths, establish the strategic development guidance of “seeking progress while maintaining stable growth, innovation-driven and value creation”, help the people live longer and healthier and facilitate building a modern socialist country. Focusing on “Data+”, “Product+” and industrial integration, we will vigorously expand business scale of the protection-type business, innovate and iterate product development and service integration, provide customised services for our customers, continue to strengthen risk prevention and management, and make due efforts on value creation and high-quality development, so as to better serve the national strategy and economy and the people’s livelihood. We will carefully evaluate savings-type reinsurance business tactics in a low interest rate environment, strictly control operating cost, enhance the asset-liability matching and risk management of the savings-type business. Based on meeting our customers’ needs, we will strengthen counterparty risk management and existing business management, continue to pay attention to industry policies and risk events, and innovate the development of our financial reinsurance business under the principle of risk control. We will fully take advantage of “(domestic and overseas) dual-markets” and “(business and investment) dual-platforms” to enhance our overseas operating capabilities, explore more markets and clients, and achieve the collaborative development of business in both domestic and overseas markets.

For the primary P&C insurance business, we will prioritize profitability, focus on our business operation capability, continuously optimise product structure and quality, improve operational efficiency, and reduce costs to achieve high-quality development. In respect of the motor insurance, we will actively respond to the impact of the comprehensive reform of motor insurance, promote the customer-oriented comprehensive operation, vigorously develop personal non-motor insurance business, create innovative scenario-based channel development and push forward the mode of one client with multiple policies. In respect of the non-motor insurance, we will continue to deepen the “Non-motor” strategy, further enhance our comprehensive operating capabilities, strengthen our comprehensive deployment capabilities, focus on serving national strategies, and seize opportunities of high structural growth, so as to drive rapid growth of our non-motor insurance business.

For the asset management business, we will continue to follow the orientation of internationalisation, marketisation and professionalisation, and seek progress in stability by taking “increasing gains, stabilising allocations, preventing risks, making up for shortcomings” as the main line, so as to advance the investment business in an orderly manner. We will continue to adhere to a steady and prudent investment concept and strengthen our judgement on the key factors such as the economic situation, market environment and interest rate trends, aiming to achieve more forward-looking and effective asset allocation. We will attach great importance to risk management, increase our awareness of proactive risk management, stress the management of and control over full-lifecycle process, focus on risk prevention and control as well as response plans, and persistently stick to comprehensive risk management. We will actively implement productisation to promote the development of marketisation and professionalisation, and make due efforts to develop third-party businesses. We will strengthen the collaboration among different investment functions of the system, tap into the potential of business synergy with the main insurance businesses to support the high-quality development of China Re Group.

EMBEDDED VALUE

1. Valuation Results

As at 30 June 2021, the China Re Group life and health reinsurance business includes the life and health reinsurance business of the Group Company and all business of China Re Life and China Re HK. Based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” issued by the China Association of Actuaries in November 2016 and industry practice for publicly listed companies in Hong Kong, we performed the China Re Group embedded value (“EV”) calculation as at 30 June 2021.

This section summarises the EV and the value of one year’s new business (“1-year VNB”) results as at 30 June 2021 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	30 June 2021	31 December 2020
Embedded Value		
Adjusted Net Worth (“ANW”)	101,465	99,151
Value of In-force Business (“VIF”) before CoC	11,969	11,497
Cost of Required Capital (“CoC”)	(4,279)	(4,042)
Value of In-force Business after CoC	7,690	7,455
Embedded Value	109,155	106,606
Of which:		
ANW of the life and health reinsurance business	27,720	25,752
VIF after CoC of the life and health reinsurance business	7,492	7,254
EV of the life and health reinsurance business	35,212	33,006
Value of One Year’s New Business of the life and health reinsurance business		
Value of One Year’s New Business before CoC	3,015	3,286
Cost of Required Capital	(809)	(940)
Value of One Year’s New Business after CoC	2,206	2,347

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 are the main part of the whole life and health reinsurance business. The same applies in the tables below.

2. Assumptions

The key assumptions, except claim ratio, used for the life and health reinsurance business of the Group Company and China Re Life as at 30 June 2021 are the same as those used in 2020 year-end valuation. The claim ratio assumptions are only relevant to short-term reinsurance business and YRT reinsurance business, and are determined on a contract-by-contract basis according to the claim experience of recent years.

The key assumptions used for the life and health reinsurance business of China Re HK as at 30 June 2021 are determined based on recent experience analysis results, and with reference to the life and health insurance market experience, investment 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 2021 are summarised as below, while the other valuation assumptions are consistent with those used for the Group Company and China Re Life.

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 2021:

	2021	2022	2023	2024-2029	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, China, current and expected future asset allocations, and the investment returns of major asset classes.

Tax

Currently, corporate income tax is assumed to be 8.25% of taxable profit in Hong Kong, China. And some percentage of investment return is assumed to be tax free based on current experience and future expectation.

3. 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 2021. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Unit: in RMB millions

Scenarios	VIF after CoC	1-year VNB after CoC
Base Scenario	7,492	2,206
Risk discount rate increased by 100 basis points	6,659	2,064
Risk discount rate decreased by 100 basis points	8,447	2,364
Annual investment return rates increased by 50 basis points	8,981	2,471
Annual investment return rates decreased by 50 basis points	5,997	1,940
Mortality and morbidity rates increased by 10%	7,429	2,207
Mortality and morbidity rates decreased by 10%	7,556	2,205
Discontinuance rates increased by 10%	7,291	2,189
Discontinuance rates decreased by 10%	7,700	2,225
Expenses increased by 10%	7,343	2,158
Expenses decreased by 10%	7,641	2,254
Combined ratio of short-term reinsurance contracts increased by 1 percentage point on absolute basis	7,147	2,095
Combined ratio of short-term reinsurance contracts decreased by 1 percentage point on absolute basis	7,838	2,318

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The Group's 2021 interim financial information prepared under International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers. The interim results have been reviewed by the Audit Committee of the Board.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2021 will be published on the website of the Company (www.chinare.com.cn) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

“Belt and Road”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road jointly issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Central Huijin”	Central Huijin Investment Ltd.
“Chaucer”	the collective name of 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 incorporated after officially licensed by Hong Kong Insurance Authority on 16 December 2019
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003

“China Re P&C”	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
“China Re Syndicate 2088”	the syndicate established at Lloyd’s in December 2011 by the Company through China Re UK
“China Re UK”	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
“CIC”	Chaucer Insurance Company Designated Activity Company, a company registered in the Republic of Ireland
“CNIP”	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
“Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“CRAH”	China Re Australia HoldCo Pty Ltd, a company registered in Australia, the former name of which is Hanover Australia HoldCo Pty Ltd
“CRIH”	China Re International Holdings Limited, a company registered in England and Wales, the former name of which is The Hanover Insurance International Holdings Limited
“Director(s)”	the director(s) of the Company
“Great Wall Asset”	China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC
“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“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
“Lloyd’s”	The Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed 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 2021 until 30 June 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”	the supervisor(s) of the Company

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

Beijing, the PRC, 30 August 2021

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