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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 2018**

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 2018 together with the comparative figures for the corresponding period in 2017, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

<i>(in RMB thousands)</i>	<i>Note</i>	Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
Gross written premiums	4	66,307,888	67,828,655
Less: Premiums ceded to reinsurers and retrocessionaires	4	(5,416,641)	(2,315,593)
Net written premiums	4	60,891,247	65,513,062
Changes in unearned premium reserves		(4,478,187)	(2,686,429)
Net premiums earned		56,413,060	62,826,633
Reinsurance commission income		643,395	412,284
Investment income	5	4,604,762	4,218,797
Exchange losses, net		(44,257)	(1,644)
Other income		322,175	379,198
Total income		<u>61,939,135</u>	<u>67,835,268</u>

<i>(in RMB thousands)</i>	<i>Note</i>	Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
Total income		61,939,135	67,835,268
Claims and policyholders' benefits	6	(41,965,707)	(50,689,010)
— Claims incurred		(19,787,336)	(17,130,051)
— Life and health reinsurance death and other benefits paid		(3,302,024)	(6,205,495)
— Changes in long-term life and health reinsurance contract liabilities		(18,876,347)	(27,353,464)
Handling charges and commissions		(11,270,364)	(7,814,038)
Finance costs		(578,089)	(99,782)
Other operating and administrative expenses		(5,791,358)	(6,172,099)
Total benefits, claims and expenses		(59,605,518)	(64,774,929)
Share of profits of associates		870,846	829,153
Profit before tax	7	3,204,463	3,889,492
Income tax	8	(836,553)	(885,892)
Profit for the period		2,367,910	3,003,600
Attributable to:			
Equity shareholders of the parent		2,330,540	2,953,830
Non-controlling interests		37,370	49,770
Profit for the period		2,367,910	3,003,600
Earnings per share (in RMB)	10		
— Basic		0.05	0.07
— Diluted		0.05	0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	2,367,910	3,003,600
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	(9,456)	8,194
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	30,867	(63,980)
Income tax effect	(7,717)	15,995
Share of other comprehensive income of associates, after tax	23,150	(47,985)
Available-for-sale financial assets	(605,049)	484,111
Income tax effect	151,262	(121,028)
Available-for-sale financial assets, after tax	(453,787)	363,083
Exchange differences on translation of financial statements of foreign operations	(14,559)	4,556
Other comprehensive income for the period after tax	(454,652)	327,848
Total comprehensive income for the period	1,913,258	3,331,448
Attributable to:		
Equity shareholders of the parent	1,878,280	3,274,429
Non-controlling interests	34,978	57,019
Total comprehensive income for the period	1,913,258	3,331,448

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

<i>(in RMB thousands)</i>	<i>Note</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Cash and short-term time deposits		24,995,288	10,753,859
Financial assets at fair value through profit or loss		6,197,384	7,206,613
Derivative financial instruments		25,996	—
Financial assets held under resale agreements		1,392,612	2,558,402
Premiums receivable	<i>11</i>	7,139,507	4,367,458
Reinsurance debtors	<i>12</i>	46,037,892	24,459,367
Reinsurers' share of insurance contract liabilities		7,531,285	4,880,801
Time deposits		2,330,296	5,239,747
Available-for-sale financial assets		80,607,762	78,948,328
Held-to-maturity investments		35,396,341	25,982,685
Investments classified as loans and receivables		39,609,758	32,871,394
Reinsurers' share of policy loans		447,114	419,502
Investment contracts receivable		263,243	851,538
Investments in associates	<i>13</i>	14,907,442	14,876,449
Statutory deposits		15,537,042	14,561,460
Investment properties		2,748,309	2,748,309
Property and equipment		2,572,995	2,624,086
Intangible assets		399,130	404,002
Goodwill		1,188,538	1,188,538
Deferred tax assets		1,336,122	1,122,813
Other assets		8,880,783	6,734,774
Total assets		<u>299,544,839</u>	<u>242,800,125</u>

<i>(in RMB thousands)</i>	<i>Note</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Liabilities and equity			
Liabilities			
Borrowings		346,204	—
Derivative financial instruments		—	47,608
Securities sold under agreements to repurchase		23,121,600	7,710,503
Reinsurance payables		13,130,074	11,874,955
Income tax payable		361,937	483,742
Policyholders' deposits		1,685,332	1,669,166
Investment contract liabilities		12,635,790	12,946,807
Insurance contract liabilities		136,618,815	108,126,306
Notes payable		9,815,535	9,679,806
Deferred tax liabilities		1,019,932	1,087,946
Other liabilities		15,177,125	13,802,787
		<u>213,912,344</u>	<u>167,429,626</u>
Total liabilities			
Equity			
Share capital	<i>14</i>	42,479,808	42,479,808
Reserves		16,535,386	14,254,671
Retained profits		17,610,753	17,632,428
		<u>76,625,947</u>	<u>74,366,907</u>
Total equity attributable to equity shareholders of the parent		76,625,947	74,366,907
Non-controlling interests		9,006,548	1,003,592
		<u>85,632,495</u>	<u>75,370,499</u>
Total equity			
Total liabilities and equity		<u>299,544,839</u>	<u>242,800,125</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(in RMB thousands)

Note	Attributable to equity shareholders of the parent											
	Reserves											Total equity
	Share capital	Capital reserve	Surplus reserve	Defined benefit			Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	
				General risk reserve	Agriculture catastrophic loss reserve	obligation reinsurance reserve						
As at 31 December 2017 (Audited)	42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	272,582	(9,797)	17,632,428	74,366,907	1,003,592	75,370,499
Impact of change in accounting policy in associates	—	—	—	—	—	—	27,839	—	(313,184)	(285,345)	—	(285,345)
Restated total equity at 1 January 2018	42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	300,421	(9,797)	17,319,244	74,081,562	1,003,592	75,085,154
Profit for the period	—	—	—	—	—	—	—	—	2,330,540	2,330,540	37,370	2,367,910
Other comprehensive income	—	—	—	—	—	(9,456)	(428,406)	(14,398)	—	(452,260)	(2,392)	(454,652)
Total comprehensive income	—	—	—	—	—	(9,456)	(428,406)	(14,398)	2,330,540	1,878,280	34,978	1,913,258
Distributions to shareholders	9	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)	(200)	(2,039,231)
Transaction with non-controlling interests	—	2,704,751	—	—	—	—	—	—	—	2,704,751	7,968,151	10,672,902
Others	—	385	—	—	—	—	—	—	—	385	27	412
As at 30 June 2018 (Unaudited)	<u>42,479,808</u>	<u>10,746,031</u>	<u>1,793,095</u>	<u>4,163,620</u>	<u>9,968</u>	<u>(25,148)</u>	<u>(127,985)</u>	<u>(24,195)</u>	<u>17,610,753</u>	<u>76,625,947</u>	<u>9,006,548</u>	<u>85,632,495</u>

(in RMB thousands)

Note	Attributable to equity shareholders of the parent											
	Reserves											Total equity
	Share capital	Capital reserve	Surplus reserve	Defined benefit			Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	
				General risk reserve	Agriculture catastrophic loss reserve	obligation reinsurance reserve						
As at 1 January 2017 (Audited)	42,479,808	8,166,044	1,440,315	3,470,711	9,968	(2,773)	159,331	(2,373)	15,460,852	71,181,883	957,970	72,139,853
Profit for the period	—	—	—	—	—	—	—	—	2,953,830	2,953,830	49,770	3,003,600
Other comprehensive income	—	—	—	—	—	8,194	307,849	4,556	—	320,599	7,249	327,848
Total comprehensive income	—	—	—	—	—	8,194	307,849	4,556	2,953,830	3,274,429	57,019	3,331,448
Distributions to shareholders	9	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)	—	(2,039,031)
Others	—	(1,529)	—	—	—	—	—	—	—	(1,529)	—	(1,529)
As at 30 June 2017 (Unaudited)	<u>42,479,808</u>	<u>8,164,515</u>	<u>1,440,315</u>	<u>3,470,711</u>	<u>9,968</u>	<u>5,421</u>	<u>467,180</u>	<u>2,183</u>	<u>16,375,651</u>	<u>72,415,752</u>	<u>1,014,989</u>	<u>73,430,741</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Operating activities		
Cash generated from operations	(74,696)	5,558,714
Income tax paid	(963,382)	(553,593)
Net cash flows (used in) /generated from operating activities	(1,038,078)	5,005,121
Investing activities		
Interests received	2,827,958	2,390,784
Dividends received	388,816	338,747
Purchases of property and equipment, investment properties and intangible assets	(101,108)	(158,267)
Proceeds from disposals of property and equipment, investment properties and intangible assets	4,778	1,232,942
Purchases of investments	(81,766,583)	(69,756,299)
Proceeds from disposals of investments	66,528,307	54,930,560
Disposals of associates	—	686,792
Investments in associates	—	(874,476)
Net cash flows used in investing activities	(12,117,832)	(11,209,217)

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	438,723	580,696
Capital injection from minority shareholders	10,672,902	—
Borrowings	340,840	—
Payment for shares issuance costs	—	(1,198)
Proceeds from notes issued	—	10,248,099
Interests paid	(559,718)	(43,271)
Securities sold under agreements to repurchase, net	15,736,829	(1,670,042)
	<u>26,629,576</u>	<u>9,114,284</u>
Net cash flows generated from financing activities		
	<u>13,473,666</u>	<u>2,910,188</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	12,068,596	16,670,213
Effect of foreign exchange rate changes	96,364	(262,320)
	<u>25,638,626</u>	<u>19,318,081</u>
Cash and cash equivalents at the end of the period		
Cash and short-term time deposits	24,995,288	18,363,500
Add: Financial assets held under resale agreements with original maturity of no more than three months	1,392,612	1,548,961
Less: Restricted cash and short-term time deposits	(749,274)	(594,380)
	<u>25,638,626</u>	<u>19,318,081</u>
Cash and cash equivalents at the end of the period		

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Corporate information

The predecessor of China Reinsurance (Group) Corporation (the “**Company**”), PICC Reinsurance Company Limited, 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 China Insurance Regulatory Commission (the “**CIRC**”), PICC Reinsurance Company Limited was renamed to China Reinsurance Company. On 20 June 2003, with the approval of the CIRC, China Reinsurance Company was renamed to China Reinsurance (Group) Company. On 9 October 2007, pursuant to the approval from relevant authorities, China Reinsurance (Group) Company was converted into a joint stock limited company and changed the company name to China Reinsurance (Group) Corporation.

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

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

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

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

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

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

(2) Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2017, except in relation to the following standards and amendments.

IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendment to IAS 28	Investments in associates and joint ventures
Amendments to IAS 40	Transfers of investment property

Adoption of the above standards and amendments does not have a significant impact on the interim financial information except for the amendments to IFRS 4.

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

- (a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- (b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying IFRS 9 until 2021. Entities that defer the application of IFRS 9 will continue to apply IAS 39 Financial Instruments: Recognition and Measurement.

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

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

The Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the temporary exemption for IFRS 9, however with China Everbright Bank Co., Ltd. ("**China Everbright Bank**"), the Group's material associate, adopted IFRS 9 on 1 January 2018. The Group decides not to adopt uniform accounting policies in group level.

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

The Group has not applied the following standards and amendments.

IFRS 9	Financial Instruments ^(a)
IFRS 16	Leases ^(b)
IFRS 17	Insurance Contracts ^(c)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ^(d)

- (a) IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the deferral approach. Therefore, the Group did not adopt IFRS 9 on 1 January 2018.

- (b) In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.
- (c) IFRS 17, 'Insurance Contracts', was published on 18 May 2017. The new standard established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is mandatory for financial years commencing on or after 1 January 2021.
- (d) Originally effective for the accounting period beginning on or after 1 January 2016. The effective date has now been deferred/removed.

3 Segment information

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

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

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

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

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

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

(in RMB thousands)

For the six months ended 30 June 2018 (Unaudited)

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

(in RMB thousands)

For the six months ended 30 June 2017 (Unaudited)

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	13,320,597	36,611,765	18,700,677	—	—	(804,384)	67,828,655
Less: Premiums ceded to reinsurers and retrocessionaires	(356,354)	(1,161,357)	(1,599,075)	—	—	801,193	(2,315,593)
Net written premiums	<u>12,964,243</u>	<u>35,450,408</u>	<u>17,101,602</u>	<u>—</u>	<u>—</u>	<u>(3,191)</u>	<u>65,513,062</u>
Changes in unearned premium reserves	(635,497)	(442,399)	(1,627,941)	—	—	19,408	(2,686,429)
Net premiums earned	12,328,746	35,008,009	15,473,661	—	—	16,217	62,826,633
Reinsurance commission income	35,426	165,367	528,757	—	—	(317,266)	412,284
Investment income	819,308	1,447,171	755,128	96,256	1,100,934	—	4,218,797
Exchanges (losses)/gains, net	87,860	18,667	(36,329)	(19,149)	(53,004)	311	(1,644)
Other income	13,026	86,117	86,611	167,078	181,429	(155,063)	379,198
Total income	<u>13,284,366</u>	<u>36,725,331</u>	<u>16,807,828</u>	<u>244,185</u>	<u>1,229,359</u>	<u>(455,801)</u>	<u>67,835,268</u>
— External income	12,599,433	36,725,274	17,194,249	139,879	1,176,433	—	67,835,268
— Inter-segment income	684,933	57	(386,421)	104,306	52,926	(455,801)	—
Claims and policyholders' benefits	(6,941,343)	(35,457,564)	(8,290,577)	—	—	474	(50,689,010)
— Claims incurred	(6,941,343)	(1,898,605)	(8,290,577)	—	—	474	(17,130,051)
— Life and health reinsurance death and other benefits paid	—	(6,205,495)	—	—	—	—	(6,205,495)
— Changes in long-term life and health reinsurance contract liabilities	—	(27,353,464)	—	—	—	—	(27,353,464)
Handling charges and commissions	(5,043,096)	(476,971)	(2,614,327)	—	—	320,356	(7,814,038)
Finance costs	(4,792)	(26,044)	(4,470)	(60,073)	(4,403)	—	(99,782)
Other operating and administrative expenses	(262,856)	(371,710)	(4,941,557)	(173,830)	(574,429)	152,283	(6,172,099)
Total benefits, claims and expenses	<u>(12,252,087)</u>	<u>(36,332,289)</u>	<u>(15,850,931)</u>	<u>(233,903)</u>	<u>(578,832)</u>	<u>473,113</u>	<u>(64,774,929)</u>
Share of profits of associates	13,211	466,013	940	(230)	349,624	(405)	829,153
Profit before tax	<u>1,045,490</u>	<u>859,055</u>	<u>957,837</u>	<u>10,052</u>	<u>1,000,151</u>	<u>16,907</u>	<u>3,889,492</u>
Income tax	(215,944)	(172,020)	(235,338)	(8,700)	(248,881)	(5,009)	(885,892)
Profit for the period	<u><u>829,546</u></u>	<u><u>687,035</u></u>	<u><u>722,499</u></u>	<u><u>1,352</u></u>	<u><u>751,270</u></u>	<u><u>11,898</u></u>	<u><u>3,003,600</u></u>

(in RMB thousands)

30 June 2018 (Unaudited)

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	68,541,818	125,232,390	68,012,500	11,959,046	58,676,294	(32,877,209)	299,544,839
Segment liabilities	(49,106,915)	(105,561,954)	(42,608,785)	(10,457,241)	(9,501,822)	3,324,373	(213,912,344)

(in RMB thousands)

31 December 2017 (Audited)

	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	63,522,453	100,630,265	45,036,271	12,135,547	54,373,404	(32,897,815)	242,800,125
Segment liabilities	(44,361,469)	(78,013,811)	(30,812,046)	(10,402,453)	(7,065,315)	3,225,468	(167,429,626)

4 Gross and net written premiums

(a) Gross written premiums

(in RMB thousands)

Six months ended 30 June

	2018 (Unaudited)	2017 (Unaudited)
Long-term life and health reinsurance	23,655,629	32,919,678
Short-term life and health reinsurance	6,509,837	3,692,031
Property and casualty reinsurance	14,177,189	12,579,384
Primary property and casualty insurance	21,965,233	18,637,562
Total	<u>66,307,888</u>	<u>67,828,655</u>

(b) Premiums ceded to reinsurers and retrocessionaires

(in RMB thousands)

Six months ended 30 June

	2018 (Unaudited)	2017 (Unaudited)
Long-term life and health reinsurance	1,860,743	407,928
Short-term life and health reinsurance	1,923,246	753,430
Property and casualty reinsurance	586,913	378,409
Primary property and casualty insurance	1,045,739	775,826
Total	<u>5,416,641</u>	<u>2,315,593</u>

(c) Net written premiums

(in RMB thousands)

Six months ended 30 June

	2018 (Unaudited)	2017 (Unaudited)
Net written premiums	<u>60,891,247</u>	<u>65,513,062</u>

5 Investment income

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Interest, dividend and rental income (a)	4,276,566	3,207,415
Realised gains (b)	837,175	1,018,420
Unrealised (losses)/gains (c)	(208,006)	152,034
Negative goodwill arising from investments in associates	—	319,094
Impairment losses (d)	(300,973)	(478,166)
Total	<u>4,604,762</u>	<u>4,218,797</u>

(a) Interest, dividend and rental income

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Interest income		
Current and time deposits	508,071	607,169
Fixed maturity investment		
— Held-to-maturity investment	879,755	486,050
— Available-for-sale financial assets	1,212,074	781,531
— Financial assets at fair value through profit or loss	32,084	9,832
— Investment classified as loans and receivables	1,083,165	860,639
Financial assets held under resale agreements	24,124	27,608
Reinsurers' share of policy loans	5,014	3,778
Subtotal	<u>3,744,287</u>	<u>2,776,607</u>
Dividend income		
Equity securities		
— Available-for-sale financial assets	470,097	311,027
— Financial assets at fair value through profit or loss	39,494	97,526
Other		
— Available-for-sale financial assets	22,688	—
Subtotal	<u>532,279</u>	<u>408,553</u>
Rental income from investment properties	—	22,255
Total	<u>4,276,566</u>	<u>3,207,415</u>

(b) Realised gains

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Fixed maturity investment		
— Available-for-sale financial assets	(9,695)	(2,390)
— Financial assets at fair value through profit or loss	(11,121)	182
Equity securities		
— Available-for-sale financial assets	992,378	375,243
— Financial assets at fair value through profit or loss	(134,387)	62,444
— Investments in associates	—	(143,787)
Disposal of investment properties	—	726,728
Total	837,175	1,018,420

(c) Unrealised (losses)/gains

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Fixed maturity investment		
— Financial assets at fair value through profit or loss	5,623	(4,858)
Equity securities		
— Financial assets at fair value through profit or loss	(128,089)	156,892
Others	(85,540)	—
Total	(208,006)	152,034

(d) Impairment losses

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Equity securities		
— Available-for-sale financial assets	(300,973)	(478,166)
Total	(300,973)	(478,166)

6 Claims and policyholders' benefits

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

<i>(in RMB thousands)</i>	Six months ended 30 June 2017 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	17,949,296	(819,245)	17,130,051
— Short-term life and health reinsurance	2,348,338	(449,733)	1,898,605
— Property and casualty reinsurance	6,660,162	(19,105)	6,641,057
— Primary property and casualty insurance	8,940,796	(350,407)	8,590,389
Life and health reinsurance death and other benefits paid	6,302,211	(96,716)	6,205,495
Changes in long-term life and health reinsurance contract liabilities	27,711,466	(358,002)	27,353,464
Total	<u>51,962,973</u>	<u>(1,273,963)</u>	<u>50,689,010</u>

7 Profit before tax

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

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Employee costs (including directors' and supervisors' emoluments) (note)	2,270,576	2,051,871
Depreciation of property and equipment (note)	123,653	117,070
Depreciation of investment properties (note)	—	10,903
Amortisation of intangible assets (note)	38,324	21,867
Rental expenses (note)	253,015	232,832
Impairment losses on available-for-sale financial assets	300,973	478,166
Impairment losses on premiums receivable	60,430	38,329
Impairment losses on reinsurance debtors	3,431	5,219

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

8 Income tax

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Current income tax		
Charge for the period	900,614	1,180,416
Adjustments in respect of prior years	3,828	(3,699)
Deferred income tax	(67,889)	(290,825)
Total	<u>836,553</u>	<u>885,892</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 2018 (six months ended 30 June 2017: 25%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

9 Dividends

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
In respect of previous year:		
2017 final dividend declared in 2018: RMB0.048 per ordinary share	2,039,031	
2016 final dividend declared in 2017: RMB0.048 per ordinary share		2,039,031

10 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue for the six months ended 30 June 2018 and the six months ended 30 June 2017 as follows:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Net profit attributable to the equity shareholders of the parent (in RMB thousands)	2,330,540	2,953,830
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.05	0.07

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2018 and the six months ended 30 June 2017, so the diluted earnings per share were the same as the basic earnings per share.

11 Premiums receivable

<i>(in RMB thousands)</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	Premiums receivable	7,329,382
Less: impairment provision	<u>(189,875)</u>	<u>(129,477)</u>
Premiums receivable, net	<u>7,139,507</u>	<u>4,367,458</u>

(a) Aging analysis

<i>(in RMB thousands)</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	Within 3 months (inclusive)	6,847,770
3 months to 1 year (inclusive)	314,360	202,395
1 to 2 years (inclusive)	109,443	67,314
Over 2 years	<u>57,809</u>	<u>50,897</u>
Total	7,329,382	4,496,935
Less: impairment provision	<u>(189,875)</u>	<u>(129,477)</u>
Net	<u>7,139,507</u>	<u>4,367,458</u>

(b) Impairment provision of premiums receivable

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
At the beginning of the period	129,477	89,816
Charge for the period	60,430	38,329
Written off	(32)	—
At the end of the period	189,875	128,145

12 Reinsurance debtors

<i>(in RMB thousands)</i>	30 June	31 December
	2018 (Unaudited)	2017 (Audited)
Reinsurance debtors	46,160,691	24,578,052
Less: impairment provision	(122,799)	(118,685)
Reinsurance debtors, net	46,037,892	24,459,367

(a) Aging analysis

<i>(in RMB thousands)</i>	30 June	31 December
	2018 (Unaudited)	2017 (Audited)
Within 3 months (inclusive)	41,645,094	20,054,951
3 months to 1 year (inclusive)	2,421,425	3,011,856
1 to 2 years (inclusive)	1,347,277	818,695
Over 2 years	746,895	692,550
Total	46,160,691	24,578,052
Less: impairment provision	(122,799)	(118,685)
Net	46,037,892	24,459,367

(b) Impairment provision of reinsurance debtors

<i>(in RMB thousands)</i>	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
At the beginning of the period	118,685	123,345
Charge for the period	3,431	5,219
Exchange difference	683	(1,694)
At the end of the period	122,799	126,870

13 Investments in associates

<i>(in RMB thousands)</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Share of net assets		
— Listed shares (i)	14,475,502	14,448,703
— Unlisted shares	431,940	427,746
	<hr/>	<hr/>
Total	14,907,442	14,876,449
	<hr/> <hr/>	<hr/> <hr/>

(i) As at 30 June 2018, the Group held an aggregate interest in China Everbright Bank of 4.42% (31 December 2017: 4.42%).

14 Share capital

<i>(in thousands)</i>	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Issued and fully paid ordinary shares of RMB 1 each		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
	<hr/>	<hr/>
Total	42,479,808	42,479,808
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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		
	2018	2017	Change (%)
Gross written premiums	66,308	67,829	(2.2)
Gross written premiums by business segment:			
P&C reinsurance ¹	15,200	13,321	14.1
Life and health reinsurance ¹	30,165	36,612	(17.6)
Primary P&C insurance ¹	21,948	18,701	17.4
Total investment income ²	5,069	5,008	1.2
Annualized total investment yield (%) ³	5.21	5.70	Decrease of 0.49 percentage points

- Notes: 1. Gross written premiums of each business segment do not consider inter-segment eliminations.
2. Total investment income = Investment income + investment income from investment in associates - interest expenses on securities sold under agreements to repurchase.
3. Annualized total investment yield = Total investment income ÷ average of investment assets as at the beginning and end of the period x 2.

	As at 30 June 2018		As at 31 December 2017	
	Core solvency adequacy ratio	Aggregated solvency adequacy ratio	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
China Re Group (%)	207	207	197	197
Group Company (%)	480	480	549	549
China Re P&C (%)	209	209	218	218
China Re Life (%)	208	208	234	234
China Continent Insurance (%)	486	486	267	267

Note: The data of solvency as at 30 June 2018 is not audited or reviewed by the auditor of the Company.

Unit: in RMB millions, except for percentages

	As at 30 June 2018	As at 31 December 2017	Change (%)
Embedded value of life and health reinsurance business	21,438	20,116	6.6
Value of one year's new business of life and health reinsurance business	1,495	1,470	1.7

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

The Group's gross written premiums decreased by 2.2% from RMB67,829 million in the first half of 2017 to RMB66,308 million in the first half of 2018, of which the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB15,200 million, RMB30,165 million and RMB21,948 million, respectively. The year-on-year decrease of gross written premiums was mainly due to a larger base of financial reinsurance business of the corresponding period last year: in 2017, its reinsurance premium income was RMB23,826 million, among which RMB23,725 million occurred in the first half of the year. Taking into no account of financial reinsurance business, the gross written premiums of the Group recorded a year-on-year increase of 9.1%. In addition, affected by the guidance of regulatory policies and the acceleration of transformation of the industry, the costs of the savings-type business remained high. We carefully select business opportunities and strictly control high cost business. The reinsurance premium income of domestic savings-type reinsurance business recorded a year-on-year decrease, which also affected the growth of gross written premiums.

Our core reinsurance business maintained its steady market position and we continued to have the leading market share in the PRC P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.62% in primary P&C insurance business, ranking No. 6 of all primary P&C insurance companies in the PRC market. During the Reporting Period, we maintained a rating of “A (Excellent)” by A.M. Best and was rated “A” by S&P Global Ratings, with our financial position remaining stable.

In the first half of 2018, our total investment income amounted to RMB5,069 million, representing a year-on-year increase of 1.2%; our net investment income amounted to RMB5,147 million, representing a year-on-year growth of 27.5%. The main reasons for the year-on-year increase in investment income were that: (i) we greatly increased our allocation of fixed-income investments in 2017 and the beginning of 2018, resulting in a year-on-year increase in interest income; and (ii) we proactively seized market opportunities and strengthened active management, resulting in a year-on-year increase in gains from equity and investment funds.

In the first half of 2018, our annualized total investment yield was 5.21%, representing a year-on-year decrease of 0.49 percentage points; our annualized net investment yield was 5.29%, representing a year-on-year increase of 0.70 percentage points. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Key Financial Indicators

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

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

	For the six months ended 30 June		Change (%)
	2018	2017	
Gross written premiums	66,308	67,829	(2.2)
Profit before tax	3,204	3,889	(17.6)
Net profit	2,368	3,004	(21.2)
Net profit attributable to equity shareholders of the parent company	2,331	2,954	(21.1)
Earnings per share (RMB)	0.05	0.07	(21.1)
Annualized weighted average return on equity (%) ¹	6.21	8.23	Decrease of 2.02 percentage points

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

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

	As at 30 June 2018	As at 31 December 2017	Change (%)
Total assets	299,545	242,800	23.4
Total liabilities	213,912	167,430	27.8
Total equity	85,633	75,370	13.6
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.80	1.75	3.0

The main reasons for the decrease in net profit attributable to equity shareholders of the parent company by 21.1% from RMB2,954 million in the first half of 2017 to RMB2,331 million in the first half of 2018 are as follows: (i) we recorded relatively higher financial results resulting from the one-off gain of RMB727 million on the disposal of investment property (Shanghai World Plaza); and (ii) the underwriting profits decreased to some extent as a result of the fierce competition in the insurance market and increase in cost. For details of analysis on changes of underwriting profits, please refer to relevant contents of respective insurance business segment.

P&C Reinsurance

P&C reinsurance business segment mainly includes domestic P&C reinsurance business, overseas P&C reinsurance business, CNIP business and legacy P&C reinsurance business. In the first half of 2018, we made efforts to strengthen our position as a leading domestic reinsurer. We proactively dealt with significant changes including intensified competition, market restructure, and narrowing profit margin in domestic reinsurance market. We actively grasped the market opportunities brought by the rapid growth of non-motor insurance business and accelerated development of innovative insurance business. We integrated our underwriting expertise, established new specialized underwriting teams for certain lines of business, improved customer service framework, and made intensified efforts in the expansion of facultative and innovative reinsurance business. We proactively deployed businesses including construction inherent defects insurance (IDI), catastrophe insurance pilots of local governments, and short-term health insurance. On the premise of strict risk control, we continued to actively explore development opportunities in the overseas P&C reinsurance business. We expanded in the Asia-Pacific market through our Singapore Branch, and developed new insurance products and new customers by utilizing talents and channels of the Lloyd's, thereby further optimizing the insurance product structure and diversifying the business portfolio.

In the first half of 2018, gross written premiums from our P&C reinsurance segment amounted to RMB15,200 million, representing a year-on-year increase of 14.1%, accounting for 22.6% of gross written premiums of the Group (before inter-segment eliminations). Net profit amounted to RMB818 million, and annualized weighted average return on equity reached 8.48%. The combined ratio was 99.5%, representing a year-on-year increase of 0.8 percentage points, of which loss ratio was 53.6%, representing a year-on-year decrease of 2.7 percentage points, and expense ratio was 45.9%, representing a year-on-year increase of 3.5 percentage points.

Business Analysis

Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In the first half of 2018, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB12,903 million, representing a year-on-year increase of 12.3%. The combined ratio was 99.6%, remaining stable as the underwriting profitability tended to be stable. The loss ratio was 52.9%, representing a year-on-year decrease of 1.4 percentage points, and expense ratio was 46.7%, representing a year-on-year increase of 1.4 percentage points.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance respectively, which was generally in line with the business mix in the domestic P&C reinsurance market. Meanwhile, as a result of our active development of facultative reinsurance business, its reinsurance premium income amounted to RMB666 million, increasing by RMB225 million, namely 51.0% year-on-year; of which, reinsurance premium income from facultative reinsurance business of construction inherent defects insurance (IDI), liability insurance and credit and surety insurance, and accident and short-term health insurance amounted to RMB457 million, increasing by RMB124 million, namely 37.1% year-on-year. In terms of business channels, by virtue of our good direct cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis.

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	12,237	94.8	11,046	96.2
Facultative reinsurance	666	5.2	441	3.8
Total	12,903	100.0	11,487	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			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	12,654	98.1	11,292	98.3
Non-proportional reinsurance	249	1.9	195	1.7
Total	12,903	100.0	11,487	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			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Direct	12,126	94.0	10,614	92.4
Via broker	777	6.0	873	7.6
Total	12,903	100.0	11,487	100.0

Lines of business

As the largest domestic specialised P&C reinsurance company in the PRC, we offer a wide variety of P&C reinsurance coverage catering to the characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, primarily including motor, commercial and household property, liability, agriculture and engineering insurance.

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Line of business	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	4,803	37.2	4,996	43.5
Commercial and household property	2,474	19.2	2,107	18.3
Liability	1,690	13.1	1,270	11.1
Agriculture	1,590	12.3	1,657	14.4
Engineering	894	6.9	552	4.8
Others ¹	1,452	11.3	905	7.9
Total	12,903	100.0	11,487	100.0

Note: 1. Others include, cargo, specialty, marine hull, accident and credit reinsurance.

Motor reinsurance. In the first half of 2018, the reinsurance premium income from motor insurance amounted to RMB4,803 million, representing a year-on-year decrease of 3.9%, mainly due to the changes in certain clients' demand for motor reinsurance, and the adjustment to the cession arrangement.

Commercial and household property reinsurance. In the first half of 2018, the reinsurance premium income from commercial and household property insurance amounted to RMB2,474 million, representing a year-on-year increase of 17.4%, mainly due to the fact that we actively explored property reinsurance business, and enhanced the business participation of some major clients.

Liability reinsurance. In the first half of 2018, the reinsurance premium income from liability insurance amounted to RMB1,690 million, representing a year-on-year increase of 33.1%, mainly due to the fact that we actively captured opportunities arising from the rapid growth of primary insurance market, and made efforts to facilitate new types of liability reinsurance.

Agriculture reinsurance. In the first half of 2018, the reinsurance premium income from agriculture insurance amounted to RMB1,590 million, representing a year-on-year decrease of 4.0%, mainly due to the fact that we exerted strict control over business quality and adjusted our business mix, while some primary insurance companies reduced their scale of cession.

Engineering reinsurance. In the first half of 2018, the reinsurance premium income from engineering insurance amounted to RMB894 million, representing a year-on-year increase of 62.0%, mainly due to the fact that we actively seized business opportunities of engineering insurance brought by infrastructure construction, made intensified efforts in the business development, and increased the breadth and depth of business participation.

Clients and client services

In the first half of 2018, we continued to maintain good client relationships. We have established long-term stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. As at the end of the Reporting Period, we maintained business relationships with 78 P&C insurance companies in China, covering 90% of P&C insurance companies in China.

Overseas P&C Reinsurance Business

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

In the first half of 2018, gross written premiums from our overseas P&C reinsurance business amounted to RMB2,507 million (before intra-segment eliminations), representing a year-on-year increase of 38.4%. The combined ratio was 102.2%, representing a year-on-year increase of 9.7 percentage points, of which loss ratio was 62.9%, representing a year-on-year increase of 12.2 percentage points, and expense ratio was 39.3%, representing a year-on-year decrease of 2.5 percentage points. The main reason for the increase in loss ratio was that gross written premiums from our overseas P&C reinsurance business grew rapidly in the first half of 2018, due to a rise in the proportion of newly acquired business whose future loss uncertainty and unevenness of risk distribution led us to adopt a conservative reserving policy. From the perspective of business underwritten, the quality of our overseas P&C reinsurance business remains stable. Provided that there are no major disasters in the international market in the second half of 2018, we expect the combined ratio for the year to fall to a reasonable level.

In terms of type of reinsurance arrangement, our overseas P&C reinsurance business is still dominated by treaty reinsurance. However, the proportion of treaty reinsurance business decreased due to the increase of primary insurance business from Lloyd's channel.

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	2,338	93.3	1,758	97.1
Facultative reinsurance and others ¹	169	6.7	53	2.9
Total	2,507	100.0	1,811	100.0

Note: 1. Including primary premium income from the overseas primary P&C insurance business operated by China Re Syndicate 2088 amounting to RMB158 million.

In terms of geographic areas, Asia, America and Europe were the main source regions of our overseas P&C reinsurance business, representing 39.8%, 33.0% and 25.7% of its total gross written premiums, respectively. In the first half of 2018, we achieved good progress through active business development in the Asia-Pacific region, and meanwhile we strove to develop Syndicate China element business, and our business in Asia accounted for a significantly larger proportion. The shares of premiums in America and Europe changed as we continue to step up our efforts to develop business in North America.

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

Unit: in RMB millions, except for percentages

Source region of business	For the six months ended 30 June			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Asia	998	39.8	652	36.0
America	826	33.0	598	33.0
Europe	645	25.7	533	29.4
Oceania	30	1.2	21	1.2
Africa	8	0.3	7	0.4
Total	2,507	100.0	1,811	100.0

In terms of lines of business, our overseas P&C reinsurance business primarily provided coverage for non-marine, specialty and motor insurance. Business mix consisted mainly of short tail business. We leveraged on the Lloyd's channel to actively expand new types of business such as primary liability insurance, leading to a more diversified overseas business portfolio.

In terms of business channels, reputable international brokers remained our major sources of overseas P&C reinsurance business. We also enhanced our cooperation with distinctive small-and-medium-sized brokers to seek regional business with high quality.

In terms of clients, we continued to allocate our resources to international renowned quality primary insurance clients to establish long-term stable business relationships targeting at their core and profitable primary insurance ceding business. We continued to strengthen our strategic cooperative relationships with international renowned reinsurance companies to obtain retrocession business. Meanwhile, we leveraged on the regional advantage of Singapore Branch and actively developed high quality regional customers.

In terms of service ability, our quotation service and other client service measures in overseas market became more recognized. Leveraging on the international talents and technology advantages of overseas platform as well as years of experience in international business operation, we were able to better serve domestic customers in China by providing more products and international cooperation practice of reinsurance business, and thus our advantages of the synergy between domestic and overseas business could be well taken.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In the first half of 2018, our reinsurance premium income from CNIP amounted to RMB44 million.

Financial Analysis

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

	<i>Unit: in RMB millions, except for percentages</i>		
	For the six months ended 30 June		
	2018	2017	Change (%)
Gross written premiums	15,200	13,321	14.1
Less: premiums ceded to retrocessionaires	(579)	(357)	62.2
Net written premiums	14,621	12,964	12.8
Changes in unearned premium reserves	(875)	(635)	37.8
Net premiums earned	13,746	12,329	11.5
Reinsurance commission income	61	35	74.3
Investment income	1,102	819	34.6
Exchange (losses)/gains, net	(40)	89	—
Other income	4	13	(69.2)
Total income	14,873	13,285	12.0
Claims and policyholders' benefits	(7,364)	(6,941)	6.1
Handling charges and commissions	(6,086)	(5,043)	20.7
Finance costs	(114)	(5)	2,180.0
Other operating and administrative expenses	(321)	(263)	22.1
Total benefits, claims and expenses	(13,885)	(12,252)	13.3
Share of profits of associates	(5)	13	—
Profit before tax	983	1,046	(6.0)
Income tax	(165)	(216)	(23.6)
Net profit	818	830	(1.4)

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 14.1% from RMB13,321 million in the first half of 2017 to RMB15,200 million in the first half of 2018, mainly due to the growth of domestic reinsurance business from liability insurance, commercial and household property insurance, engineering insurance, accident insurance and overseas P&C reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our P&C reinsurance segment increased by 62.2% from RMB357 million in the first half of 2017 to RMB579 million in the first half of 2018, mainly due to the increase in the overseas outward retrocession in the first year of 2018 in order to achieve better risk diversification.

Investment Income

Investment income for our P&C reinsurance segment increased by 34.6% from RMB819 million in the first half of 2017 to RMB1,102 million in the first half of 2018. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment increased by 6.1% from RMB6,941 million in the first half of 2017 to RMB7,364 million in the first half of 2018, which was in line with the increase in net premiums earned.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 20.7% from RMB5,043 million in the first half of 2017 to RMB6,086 million in the first half of 2018, which was in line with the increase in gross written premiums.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment decreased from RMB13 million in the first half of 2017 to loss of RMB5 million in the first half of 2018.

Net Profit

As a result of the foregoing reasons, net profit for the P&C reinsurance segment amounted to RMB818 million in the first half of 2018, which was basically flat year-on-year.

Life and Health Reinsurance

The businesses of life and health reinsurance segment comprise the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by the Group Company through China Re Life. In the first half of 2018, the domestic life insurance market went through a period of transformation and adjustment. As the structure of insurance products adjusted and optimized, on one hand the pace of decrease in savings-type life insurance premiums has been narrowing month by month, on the other hand, health insurance premiums have shown rapid growth. The industry was accelerating to refocus on protection function. Affected by the factors including US interest rate hike and the US-China trade dispute, the RMB-denominated insurance products in the Hong Kong life insurance market continued to be sluggish, and the US dollar denominated products were more popular in the market. We timely adjusted our market strategy and product strategy, adhered to seeking progress while maintaining stability and innovation development, and strengthened risk awareness. We achieved fast growth in domestic protection-type reinsurance businesses, but savings-type reinsurance business and financial reinsurance business declined on a year-on-year basis. China Re Life has a stable position in domestic market and the cross-border savings-type reinsurance market in Hong Kong, with around 80% of all of its reinsurance contracts being entered into as a lead reinsurer.

In the first half of 2018, reinsurance premium income from our life and health reinsurance segment amounted to RMB30,165 million, representing a year-on-year decrease of 17.6%, accounting for 44.8% of gross written premiums of the Group (before inter-segment eliminations). Net profit of the segment amounted to RMB968 million, and annualized weighted average return on equity reached 9.16%, of which reinsurance premium income from China Re Life amounted to RMB30,117 million, representing a year-on-year decrease of 17.6%; total written premiums (“TWPs”) amounted to RMB30,339 million (including TWPs of RMB222 million for savings-type universal life reinsurance), representing a year-on-year decrease of 18.5%.

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

Business Analysis

In terms of business lines, the protection-type reinsurance business showed a rapid development trend, and the savings-type reinsurance and financial reinsurance business declined on a year-on-year basis.

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Business line	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic protection-type reinsurance	6,252	20.8	3,570	9.8
Domestic savings-type reinsurance	3,263	10.8	7,565	20.7
Domestic financial reinsurance	18,212	60.5	23,725	64.9
Domestic in total	<u>27,727</u>	<u>92.1</u>	<u>34,860</u>	<u>95.4</u>
Overseas savings-type reinsurance	2,073	6.9	1,638	4.5
Other overseas business	317	1.0	54	0.1
Overseas in total	<u>2,390</u>	<u>7.9</u>	<u>1,692</u>	<u>4.6</u>
Total	<u>30,117</u>	<u>100.0</u>	<u>36,552</u>	<u>100.0</u>

In addition, we also sought opportunities to develop savings-type universal life reinsurance business. The following table sets forth the TWP for the savings-type universal life reinsurance for the reporting periods indicated:

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Universal life reinsurance	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic savings-type universal life reinsurance	196	88.3	124	18.7
Overseas savings-type universal life reinsurance	26	11.7	539	81.3
Total	<u>222</u>	<u>100.0</u>	<u>663</u>	<u>100.0</u>

Domestic Life and Health Reinsurance

In the first half of 2018, TWPs from our domestic life and health reinsurance business amounted to RMB27,923 million, representing a year-on-year decrease of 20.2%, of which reinsurance premium income amounted to RMB27,727 million, representing a year-on-year decrease of 20.5%.

In respect of protection-type reinsurance business, reinsurance premium income amounted to RMB6,252 million in the first half of 2018, representing a year-on-year increase of 75.1%. Reinsurance premium income from the yearly renewable term reinsurance business (i.e., “YRT” reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate) amounted to RMB3,786 million, representing a year-on-year increase of 83.7%, accounting for 60.6% of reinsurance premium income from protection-type reinsurance business. On one hand, we continued to promote the “Data +” and “Product +” strategy to facilitate the rapid growth of the protection-type reinsurance business. Reinsurance premium income from mid-end medical care insurance and accident insurance for drivers and passengers of private-owned motor vehicles amounted to RMB1,362 million, representing a year-on-year increase of 172.5%. On the other hand, we carried out risk control on major business to ensure the healthy development of the protection-type reinsurance business.

In respect of savings-type reinsurance business, TWPs amounted to RMB3,459 million in the first half of 2018, representing a year-on-year decrease of 55.0%. Affected by the guidance of regulatory policies and the acceleration of transformation of the industry, the costs of the savings-type business remained high, and the TWPs of our savings-type business declined as compared with the first half of 2017. We carefully selected business opportunities and strictly controlled high cost business. We adhered to the development of business under the premise of asset able to allocate, laying a good foundation for profitable development.

In respect of financial reinsurance business, the reinsurance premium income amounted to RMB18,212 million in the first half of 2018, representing a year-on-year decrease of 23.2%. We closely monitored the changes in the regulatory policies, and actively participated in the construction of the C-ROSS Phase II project. We seized business opportunities, innovated business solutions, and achieved profitable development while working on risk prevention.

Overseas Life and Health Reinsurance

In the first half of 2018, TWPs from our overseas life and health reinsurance amounted to RMB2,416 million, representing a year-on-year increase of 8.3%, of which reinsurance premium income amounted to RMB2,390 million, representing a year-on-year increase of 41.3%. In respect of overseas savings-type reinsurance business, TWPs amounted to RMB2,099 million, representing a year-on-year decrease of 3.6%. In respect of other overseas business, reinsurance premium income amounted to RMB317 million, representing a year-on-year increase of 487.0%.

In the first half of 2018, we overcame the continued downturn in sales of RMB-denominated policy in Hong Kong and the impact of RMB devaluation. We utilized the US dollar interest rate hike cycle to develop low-cost foreign currency denominated business, and the development of overseas savings-type business was basically stable. Meanwhile, we continued to deepen international business cooperation and communication so as to achieve year-on-year growth for other overseas businesses.

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

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	29,943	99.4	36,430	99.7
Facultative reinsurance	174	0.6	122	0.3
Total	30,117	100.0	36,552	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			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	30,085	99.9	36,530	99.9
Non-proportional reinsurance	32	0.1	22	0.1
Total	30,117	100.0	36,552	100.0

In terms of insurance product types covered, the life and health reinsurance business was primarily comprised of life insurance. The business mix remained generally stable.

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

Unit: in RMB millions, except for percentages

Insurance product type	For the six months ended 30 June			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Life	24,022	79.8	33,042	90.4
Health	4,929	16.4	2,473	6.8
Accident	1,166	3.8	1,037	2.8
Total	30,117	100.0	36,552	100.0

Financial Analysis

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

	<i>Unit: in RMB millions, except for percentages</i>		
	For the six months ended 30 June		
	2018	2017	Change (%)
Gross written premiums	30,165	36,612	(17.6)
Less: premiums ceded to retrocessionaires	(3,784)	(1,162)	225.6
Net written premiums	26,381	35,450	(25.6)
Changes in unearned premium reserves	(1,068)	(442)	141.6
Net premiums earned	25,313	35,008	(27.7)
Reinsurance commission income	284	165	72.1
Investment income	2,251	1,447	55.6
Exchange gains, net	6	19	(68.4)
Other income	23	86	(73.3)
Total income	27,877	36,725	(24.1)
Claims and policyholders' benefits	(24,830)	(35,458)	(30.0)
Handling charges and commissions	(1,594)	(477)	234.2
Finance costs	(166)	(26)	538.5
Other operating and administrative expenses	(553)	(371)	49.1
Total benefits, claims and expenses	(27,143)	(36,332)	(25.3)
Share of profits of associates	462	466	(0.9)
Profit before tax	1,196	859	39.2
Income tax	(228)	(172)	32.6
Net profit	968	687	40.9

Gross Written Premiums

Gross written premiums for our life and health reinsurance segment decreased by 17.6% from RMB36,612 million in the first half of 2017 to RMB30,165 million in the first half of 2018, mainly due to the year-on-year decrease in domestic savings-type reinsurance and financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 225.6% from RMB1,162 million in the first half of 2017 to RMB3,784 million in the first half of 2018, mainly due to the growth in outward retrocessions from the domestic savings-type reinsurance business.

Investment Income

Investment income for our life and health reinsurance segment increased by 55.6% from RMB1,447 million in the first half of 2017 to RMB2,251 million in the first half of 2018. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment decreased by 30.0% from RMB35,458 million in the first half of 2017 to RMB24,830 million in the first half of 2018, mainly due to the changes in domestic savings-type reinsurance and financial reinsurance business.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased by 234.2% from RMB477 million in the first half of 2017 to RMB1,594 million in the first half of 2018, mainly due to the increase of domestic protection-type reinsurance business, and some operational adjustments.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment was RMB462 million in the first half of 2018, which was basically flat year-on-year.

Net Profit

Mainly as a result of the year-on-year increase of investment income, net profit for the life and health reinsurance segment increased by 40.9% from RMB687 million in the first half of 2017 to RMB968 million in the first half of 2018.

Primary P&C Insurance

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

In the first half of 2018, gross written premiums from our primary P&C insurance segment amounted to RMB21,948 million, representing a year-on-year increase of 17.4% and accounting for 32.6% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB21,808 million, representing a year-on-year increase of 17.2%. Net profit amounted to RMB541 million, and annualized weighted average return on equity reached 5.46%. The combined ratio was 99.97%, representing a year-on-year increase of 1.77 percentage points, of which loss ratio was 56.36%, representing a year-on-year increase of 2.72 percentage points, and expense ratio was 43.61%, representing a year-on-year decrease of 0.95 percentage points. The main reason for the year-on-year increase in the combined ratio was that, with the intensified market-oriented reform of commercial motor insurance rates, the premium adequacy ratio from motor insurance declined, and in order to deal with change of market environment, we prudently set aside premium deficiency reserve for motor insurance, resulting in increased loss ratio of motor insurance.

According to primary premium income from P&C insurance companies in the first half of 2018 published by the CBIRC, the market share of our primary P&C insurance business segment reached 3.62%, representing a year-on-year increase of 0.09 percentage points.

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Line of business	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	14,245	65.3	13,601	73.1
Accident and Short-term Health	2,368	10.9	1,827	9.8
Surety	2,192	10.1	879	4.7
Liability	900	4.1	716	3.9
Commercial Property	636	2.9	595	3.2
Cargo	378	1.7	114	0.6
Others ¹	1,089	5.0	870	4.7
Total	21,808	100.0	18,602	100.0

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

Motor Insurance. In the first half of 2018, primary premium income from our motor insurance amounted to RMB14,245 million, representing a year-on-year increase of 4.7%. We continued to push forward the strategy of “identifying, controlling and introducing”, and released the Xcar index. By introducing factors such as vehicle factor, people factor, credit factor, and driving behaviour factor, we effectively improved our pricing capability. We also improved business quality by controlling the proportion of high-risk businesses such as specialty vehicles and trucks. And we effectively increased the average premiums per motor insurance policy and ensured the quality of motor insurance business by increasing the coverage ratio of profitable products and promoting the third-party liability insurance to be fully insured.

Accident and Short-term Health Insurance. In the first half of 2018, primary premium income from accident and short-term health insurance amounted to RMB2,368 million, representing a year-on-year increase of 29.6%, of which primary premium income from accident insurance amounted to RMB1,026 million, representing a year-on-year increase of 26.7%; primary premium income from short-term health insurance (critical illness insurance not included) amounted to RMB959 million, representing a year-on-year increase of 42.5%; primary premium income from critical illness insurance amounted to RMB383 million, representing a year-on-year increase of 11.3%. Our “Motor + Personal Accident” business maintained rapid growth. Under strengthened risk management and control, we continued to expand the Million Medical Care, overseas birth-giving and other personal health insurance businesses, and actively promoted critical illness insurance for urban and rural residents, employee supplemental medical insurance, and long-term care insurance, so as to assume the function of insurance serving the society.

Surety Insurance. In the first half of 2018, primary premium income from surety insurance amounted to RMB2,192 million, representing a year-on-year increase of 149.4%. We continued to develop the personal loan surety insurance business, continuously explored innovative products, channels, technologies and development models. In the first half of 2018, we opened 165 stores under the personal loan surety insurance business department, covering 95 cities in 26 provinces. The risk control was at a good level, with a bad debt ratio of 5.44%.

Liability Insurance. In the first half of 2018, primary premium income from liability insurance amounted to RMB900 million, representing a year-on-year increase of 25.7%. We captured the insurance opportunities from the changes in government management functions, and made great efforts in pushing forward the development of innovative business including compulsory safe production liability insurance, construction and residential projects quality liability insurance, prototype equipment scheme comprehensive insurance and litigation property preservation liability insurance, achieving relatively rapid growth in liability insurance business.

Commercial Property Insurance. In the first half of 2018, primary premium income from commercial property insurance amounted to RMB636 million, representing a year-on-year increase of 6.9%. We integrated resources within the Group, gave full play to the technical advantages of professionals in various fields, expanded the number of key projects we underwrote as a leading insurer or solely insurer and enhanced the level of insurance services for strategic cooperative customers. At the same time, we focused on the smart cities relying on Internet of Things technology, the national “Belt and Road Initiative”, environmental protection and other emerging fields, and strengthened business development. On the premise of strengthening risk management and control, our commercial property insurance business has maintained steady development.

Cargo Insurance. In the first half of 2018, primary premium income from cargo insurance amounted to RMB378 million, representing a year-on-year increase of 231.6%. On one hand, with the rapid development of domestic online shopping platform and logistics industry, domestic road transportation insurance has achieved relatively rapid development; while on the other hand, traditional cargo insurance business such as import and export cargo insurance has maintained steady development.

Analysis by Distribution Channel

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Distribution Channel	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	14,308	65.6	9,741	52.4
Of which: Individual insurance agents	9,311	42.7	5,821	31.3
Ancillary insurance agencies	2,162	9.9	2,193	11.8
Professional insurance agencies	2,835	13.0	1,727	9.3
Direct sales	5,826	26.7	7,662	41.2
Insurance brokers	1,674	7.7	1,199	6.4
Total	21,808	100.0	18,602	100.0

Analysis by Region

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Region	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	3,354	15.4	1,883	10.1
Zhejiang	1,613	7.4	1,386	7.5
Shandong	1,563	7.2	1,574	8.5
Yunnan	1,553	7.1	1,445	7.8
Guangdong	1,190	5.5	944	5.1
Inner Mongolia	994	4.6	983	5.3
Sichuan	915	4.2	650	3.5
Jiangxi	783	3.6	682	3.7
Jiangsu	768	3.5	792	4.3
Henan	726	3.3	604	3.2
Others	8,349	38.2	7,659	41.0
Total	21,808	100.0	18,602	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	
	2018	2017
Loss ratio (%)	56.36	53.64
Expense ratio (%) ¹	43.61	44.56
Combined ratio (%)	99.97	98.20

Note: 1. The calculation of the expense ratio includes the effect of government grants.

Financial Analysis

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

	<i>Unit: in RMB millions, except for percentages</i>		
	For the six months ended 30 June		
	2018	2017	Change (%)
Gross written premiums	21,948	18,701	17.4
Less: Premiums ceded to reinsurers	(2,048)	(1,599)	28.1
Net written premiums	19,900	17,102	16.4
Changes in unearned premium reserves	(2,543)	(1,628)	56.2
Net premiums earned	17,357	15,474	12.2
Reinsurance commission income	681	529	28.7
Investment income	1,074	755	42.3
Exchange gains/ (losses), net	17	(37)	—
Other income	77	86	(10.5)
Total income	19,206	16,807	14.3
Claims and policyholders' benefits	(9,775)	(8,291)	17.9
Handling charges and commissions	(3,977)	(2,614)	52.1
Finance costs	(112)	(4)	2,700.0
Other operating and administrative expenses	(4,378)	(4,942)	(11.4)
Total benefits, claims and expenses	(18,242)	(15,851)	15.1
Share of profits of associates	(30)	1	—
Profit before tax	934	957	(2.4)
Income tax	(393)	(235)	67.2
Net profit	541	722	(25.1)

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 17.4% from RMB18,701 million in the first half of 2017 to RMB21,948 million in the first half of 2018, mainly due to the rapid growth of non-motor insurance businesses, including personal loan surety insurance, accident and short-term health insurance, liability insurance, cargo transportation insurance, etc.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our primary P&C insurance segment increased by 28.1% from RMB1,599 million in the first half of 2017 to RMB2,048 million in the first half of 2018, mainly due to the increase in premiums ceded as a result of the growth in business scale.

Reinsurance Commission Income

Reinsurance commission income for our primary P&C insurance segment increased by 28.7% from RMB529 million in the first half of 2017 to RMB681 million in the first half of 2018, mainly due to the continuous increase in premiums ceded, and the improvement in claims settlement in reinsurance contracts compared with the past.

Investment Income

Investment income for our primary P&C insurance segment increased by 42.3% from RMB755 million in the first half of 2017 to RMB1,074 million in the first half of 2018. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 17.9% from RMB8,291 million in the first half of 2017 to RMB9,775 million in the first half of 2018, mainly due to the increase in loss ratio for motor insurance, and the growth in business scale also led to an increase in claims.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 52.1% from RMB2,614 million in the first half of 2017 to RMB3,977 million in the first half of 2018, mainly due to the continuous growth in business scale, as well as the increased resources input for quality business and major distribution channel.

Net Profit

Profit before tax for our primary P&C insurance segment basically remained flat year-on-year. As a result of the increase in income tax expense caused by the year-on-year increase in handling charges and that the tax reduction limit was reached, net profit for the primary P&C insurance segment decreased by 25.1% from RMB722 million in the first half of 2017 to RMB541 million in the first half of 2018.

Asset Management

The Group principally commissions China Re AMC to manage its investment assets. As of the end of the Reporting Period, the total investment assets balance of the Group was RMB201,074 million, of which RMB172,742 million under the management of China Re AMC. In addition, China Re AMC managed third party assets under commissions of RMB34,933 million.

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

Investment Portfolio

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

Unit: in RMB millions, except for percentages

	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment assets				
Cash and short-term time deposits	24,995	12.4	10,754	5.7
Fixed-income investments	148,040	73.7	126,727	67.3
Time deposits	2,330	1.2	5,240	2.8
Bonds	87,889	43.7	70,276	37.3
Government bonds	710	0.4	756	0.4
Financial bonds	14,158	7.0	13,641	7.2
Enterprise (corporate) bonds	64,996	32.3	47,519	25.3
Subordinated bonds	8,025	4.0	8,360	4.4
Investments classified as loans and receivables	39,610	19.7	32,871	17.4
Other fixed-income Investments ¹	18,211	9.1	18,340	9.8
Equity and investment funds	33,479	16.6	41,062	21.8
Investment funds ²	12,349	6.1	16,000	8.5
Stocks	13,643	6.8	17,473	9.3
Embedded derivatives	230	0.1	192	0.1
Unlisted equity shares ³	7,257	3.6	7,397	3.9
Other investment	17,682	8.8	17,577	9.3
Investments in associates	14,907	7.4	14,876	7.9
Others ⁴	2,775	1.4	2,701	1.4
Less: securities sold under agreements to repurchase	(23,122)	(11.5)	(7,711)	(4.1)
Total investment assets	201,074	100.0	188,409	100.0

- Notes: 1. Primarily including financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans, etc.
2. Including monetary funds and the senior tranche of structured index funds.
3. Including assets management products, unlisted equity investments and equity investment schemes.
4. Including investment properties, derivative financial instruments, etc.

In the first half of 2018, we strengthened the dynamic balance mechanism of tactical asset allocation and promoted the improvement of investment management with mechanism. We actively captured the opportunities arising from the significant adjustment in the bond market, increased the allocation of high-quality mid-to-long-term debentures by over RMB16,000 million, increased the allocation proportion of fixed-income investment, and optimized the asset allocation structure, laying a solid foundation for obtaining stable income in the future. We dynamically adjusted the proportion of equity allocation in the secondary market, strengthened market risk management and control, and well grasped the opportunities of domestic and overseas stock markets. The proportion of our equity and investment funds allocation declined, so that we effectively avoided the risk of market falling back.

As of the end of the Reporting Period, our significant investments held mainly include Bairong World Trade Center Real Estate Debt Investment Scheme and investments in an associate company, China Everbright Bank Co., Ltd. (“China Everbright Bank”).

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

In the first half of 2018, China Everbright Bank’s operations were relatively stable and there were no major fluctuations. As of the end of the Reporting Period, China Re Group held approximately 4.42% of China Everbright Bank’s equity share in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

Investment Performance

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

Unit: in RMB millions, except for percentages

Investment income	For the six months ended 30 June	
	2018	2017
Cash and fixed-income investments	3,729	2,770
Interest income	3,744	2,777
Realised losses	(21)	(2)
Unrealised gains/(losses)	6	(5)
Impairment losses	—	—
Equity and investment funds	961	381
Dividend income	532	408
Realised gains	858	294
Unrealised (losses)/gains	(128)	157
Impairment losses	(301)	(478)
Other investment	786	1,897
Investment income from investment in associates	871	1,148
Other (losses)/gains ³	(85)	749
Less: interest expenses on securities sold under agreements to repurchase	(407)	(40)
Total investment income	5,069	5,008
Annualized total investment yield (%) ¹	5.21	5.70
Net investment income	5,147	4,037
Annualized net investment yield (%) ²	5.29	4.59

Notes: 1. Annualized total investment yield = Total investment income ÷ average of investment assets as at the beginning and end of the period × 2:

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

Investment assets equals the sum of 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 and investment properties, net of securities sold under agreements to repurchase.

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

Net investment income equals to the sum of interest, dividends, rental income and investment income from investment in associates.

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

In the first half of 2018, our total investment income amounted to RMB5,069 million, representing a year-on-year increase of 1.2%; our net investment income amounted to RMB5,147 million, representing a year-on-year growth of 27.5%. The main reasons for the year-on-year increase in investment income were that: (i) we greatly increased our allocation of fixed-income investments in 2017 and the beginning of 2018, resulting in a year-on-year increase in interest income; and (ii) we proactively seized market opportunities and strengthened active management, resulting in a year-on-year increase in gains from equity and investment funds.

In the first half of 2018, our annualized total investment yield was 5.21%, representing a year-on-year decrease of 0.49 percentage points; our annualized net investment yield was 5.29%, representing a year-on-year increase of 0.70 percentage points.

Insurance Intermediary

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and Consultant Service Limited and its subsidiary, Huatai Surveyors & Adjusters Company Limited. In the first half of 2018, under the increasingly fierce competition in the insurance intermediary market, we continued to strengthen our efforts in key customer visits, collaborative development, business innovations and professional services. We also consolidated and expanded our business in infrastructure, finance, internet, health management and public services, and enhanced our sustainability.

In the first half of 2018, revenue from insurance intermediary business amounted to RMB158 million, representing a year-on-year increase of 18.8%. The revenue of all business lines has maintained a stable growth. Profit before tax amounted to RMB1.864 million, representing a year-on-year decrease of 5.6%.

Solvency

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

Unit: in RMB millions, except for percentages

	As at 30 June 2018	As at 31 December 2017	Change (%)
China Re Group			
Core capital	65,821	55,465	18.7
Available capital	65,821	55,465	18.7
Minimum capital	31,735	28,145	12.8
Core solvency adequacy ratio(%)	207	197	Increase of 10 percentage points
Aggregated solvency adequacy ratio(%)	207	197	Increase of 10 percentage points
Group Company			
Core capital	52,826	54,157	(2.5)
Available capital	52,826	54,157	(2.5)
Minimum capital	10,999	9,857	11.6
Core solvency adequacy ratio(%)	480	549	Decrease of 69 percentage points
Aggregated solvency adequacy ratio(%)	480	549	Decrease of 69 percentage points
China Re P&C			
Core capital	18,629	18,003	3.5
Available capital	18,629	18,003	3.5
Minimum capital	8,916	8,243	8.2
Core solvency adequacy ratio(%)	209	218	Decrease of 9 percentage points
Aggregated solvency adequacy ratio(%)	209	218	Decrease of 9 percentage points
China Re Life			
Core capital	18,669	17,425	7.1
Available capital	18,669	17,425	7.1
Minimum capital	8,996	7,461	20.6
Core solvency adequacy ratio(%)	208	234	Decrease of 26 percentage points
Aggregated solvency adequacy ratio(%)	208	234	Decrease of 26 percentage points
China Continent Insurance			
Core capital	24,666	13,360	84.6
Available capital	24,666	13,360	84.6
Minimum capital	5,074	5,007	1.3
Core solvency adequacy ratio (%)	486	267	Increase of 219 percentage points
Aggregated solvency adequacy ratio (%)	486	267	Increase of 219 percentage points

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

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

3. The data of solvency as at 30 June 2018 is not audited or reviewed by the auditor of the Company.

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

Compared with the end of 2017, the solvency adequacy ratio of China Re Group increased to a certain extent, mainly due to the fact that China Continent Insurance has introduced strategic investors through capital increase. In particular, the solvency adequacy ratio of the Group Company decreased, mainly due to the internal retrocession arrangement and the payment of dividends to shareholders. The solvency adequacy ratio of China Re Life decreased mainly due to the rapid growth of its protection-type reinsurance business. The solvency adequacy ratio of China Re P&C remained stable; while that of China Continent Insurance increased significantly, mainly due to the fact that strategic investors' capital injection significantly increased its available capital.

According to the requirements of The Solvency Regulatory Rules (No.1-17) for Insurance Companies (《保險公司償付能力監管規則 (1-17 號) 》) issued by the CBIRC, the “Summary of Solvency Reports” for the second quarter of 2018 of the Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, will be disclosed on their official websites respectively and the website of Insurance Association of China in due course. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Report as of the end of the second quarter of 2018:

Unit: in RMB millions

Indicators	Group Company	China Re P&C	China Re Life	China Continent Insurance
	As at 30 June 2018			
Net assets	55,493	18,655	14,520	25,451
	For the six months ended 30 June 2018			
Insurance income	14,813	13,956	30,117	21,948
Net profit	412	642	908	571

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

Exchange Rate Fluctuation Risk

Substantial amount of assets and liabilities of the Group are denominated in Renminbi, but certain assets and liabilities are denominated in Hong Kong dollars, US dollars and other foreign currencies. The fluctuations of the value of Renminbi against such currencies expose us to foreign exchange risks. We manage the adverse impacts of the fluctuations of foreign exchange rates through enhancing the assets and liabilities matching in different currencies, keeping foreign exchange positions under control and using foreign currency hedging instruments reasonably.

Details of Assets Charged

As at 30 June 2018, the market value of RMB31,197 million bonds (31 December 2017: RMB14,844 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

Contingencies

As at 30 June 2018, the Group has issued the following guarantees:

As at 30 June 2018, the Group Company provided maritime guarantee of RMB2,260 million (31 December 2017: RMB2,313 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

China Re UK, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 at the end of 2011. As at 30 June 2018, the Group Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP125 million (31 December 2017: GBP125 million).

Employees

As of 30 June 2018, China Re Group had a total of 55,317 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 compensation system. We provide employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits, playing an important role in attracting, motivating and retaining talents.

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

Major Events

Material Litigation and Arbitration

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

Material Connected Transactions

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

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

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

Other Major Events

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

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

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

Prospects

The Group will continue to follow the guidance of the “One-Three-Five” Strategy and actively capture development opportunities of the industry, adhere to the general principle of seeking progress while maintaining stability, and further strengthen the advantages of data, technology and services to build core competitiveness. We will also accelerate transformation and upgrading of operations to ensure high-quality business development on the premise of strict risk control, consolidate and continue to enhance the market position.

For the P&C reinsurance business, we will continue to optimize and transform our business structure, to achieve steady growth of domestic business and rapid development of overseas business. We will stabilize the business with traditional competitiveness, consolidate our position as the main channel in the domestic market, rapidly develop non-motor reinsurance business and actively deploy emerging business, strengthen Group level collaboration, build up an external cooperation network, and enhance core competitiveness. We will improve innovation mechanism, increase innovation input and lead market development. We will adhere to be customer-oriented and improve customer service through customized solutions. We will actively promote the overseas business development and promote to establish a new pattern of coordinated domestic and overseas development.

For the life and health reinsurance business, we will actively facilitate the industry to return to its protection function, continue to promote the “Data+” and “Product +” strategy, enhance product innovation capabilities, accelerate the integration of health management services, strengthen the integrated development of business and technology, and realize a stable growth of protection-type reinsurance business in both scale and quality. We will also continue to promote the construction of overseas business platforms, diversify and expand our savings-type reinsurance business, innovate and develop financial reinsurance business on the basis of compliance, so as to achieve sustainable and high-quality development of the overall business.

For the primary P&C insurance business, we will comprehensively promote the implementation of the customer-oriented comprehensive operation model, further enhance customer satisfaction by customizing smart and convenient services for customers; and continue to deepen business synergy with strategic investors, accelerate the layout of the industrial chain, and promote the rapid development of our business. We will further develop the professional channel construction, enhance the professional underwriting capacity of non-motor insurance business, and the refined management capabilities of motor insurance business. We will improve the management of information technology operation, and focus on the launch of a new generation of core systems to achieve personalized product configuration and respond quickly to market demand.

For the asset management business, we will adhere to serving the real economy, continue to strengthen the asset and liability management, and optimize the asset allocation. We will regard our abilities in investment, risk control and operation as the core tasks of the year, while at the same time strictly guarding against credit risks and liquidity risks, striving to achieve long-term and stable investment income.

EMBEDDED VALUE

1. Valuation Results

This section summarises the EV and the value of one year's new business ("1-year VNB") results as at 30 June 2018 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	30 June 2018	31 December 2017
Embedded value		
Adjusted net worth ("ANW")	78,951	76,174
Value of in-force business before CoC	8,474	6,860
Cost of Capital ("CoC")	(3,298)	(2,546)
Value of in-force business after CoC	5,176	4,314
Embedded value	84,128	80,488
including:		
adjusted net worth of life and health reinsurance business	16,421	15,971
value of in-force business after CoC of life and health reinsurance business	5,017	4,145
embedded value of life and health reinsurance business	21,438	20,116
Value of new business of life and health reinsurance business		
Value of one year's new business before CoC	2,529	2,402
Cost of Capital	(1,035)	(932)
Value of one year's new business after CoC	1,495	1,470

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

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

2. Valuation Assumptions

The key assumptions used in the EV calculation as at 30 June 2018 are the same as those used in 2017 year-end valuation.

3. Sensitivity Tests

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 30 June 2018. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

Scenarios	<i>Unit: in RMB millions</i>	
	Value of in-force business after Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	5,017	1,495
Risk discount rate increased by 100 basis points	4,401	1,319
Risk discount rate decreased by 100 basis points	5,733	1,701
Annual investment return rates increased by 50 basis points	6,135	1,741
Annual investment return rates decreased by 50 basis points	3,893	1,248
Mortality and morbidity rates increased by 10%	4,964	1,495
Mortality and morbidity rates decreased by 10%	5,070	1,495
Discontinuance rates increased by 10%	4,864	1,462
Discontinuance rates decreased by 10%	5,176	1,529
Management expenses increased by 10%	4,928	1,454
Management expenses decreased by 10%	5,106	1,535
Combined ratio of short term reinsurance contract increased by 1% on absolute basis	4,772	1,371
Combined ratio of short term reinsurance contract decreased by 1% on absolute basis	5,260	1,616

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

1. Share Subscription of Great Wall Asset

On 6 July 2018, China Re P&C and China Continent Insurance, subsidiaries of the Company entered into Share Subscription Agreements with Great Wall Asset to subscribe newly issued shares of Great Wall Asset respectively, which was approved by the CBIRC on 14 August 2018. Pursuant to the Share Subscription Agreements, China Re P&C will hold 1,867,289,096 shares of Great Wall Asset, accounting for 3.64% of its total share capital, and China Continent Insurance will hold 1,467,155,718 shares of Great Wall Asset, accounting for 2.86% of its total share capital.

For further details, please refer to the announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 6 July 2018 and 22 August 2018.

2. The Issuance of the Capital Supplementary Bonds of China Re P&C

As to 17 August 2018, China Re P&C, the Company's subsidiary, has issued the capital supplementary bonds publicly in the National Interbank Bond Market. The total principal amount of capital supplementary bonds issued is RMB4 billion, with a term of ten years. The annual coupon rate is 4.97% for the first five years, and China Re P&C has conditional redemption rights at the end of the fifth year. In the event that China Re P&C does not exercise the redemption rights, the annual coupon rate of the capital supplementary bonds will be 5.97% in the remaining five years.

For further details, please refer to the announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 13 July 2018 and 17 August 2018.

INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

The Group's 2018 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 2018 will be published on the website of the Company (www.chinare.com.cn) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

DEFINITIONS

“Articles of Association”	the articles of association of our Company as adopted at our shareholders’ meeting held on 26 June 2015 and approved by the CBIRC on 9 July 2015 and 2 March 2016
“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second generation insurance solvency regulation system
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), including its predecessor, China Insurance Regulatory Commission (中國保險監督管理委員會)
“Central Huijin”	Central Huijin Investment Ltd.
“China” or “PRC”	the People’s Republic of China and, for the purpose of this interim results announcement and for geographical reference only and except where the context requires, references in this interim results announcement to “China” or the “PRC” do not include Hong Kong, Macau and Taiwan
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003, prior to the approval from the CBIRC for its change of registered capital on 25 June 2018, the Company holds 93.18% of its shares, after the aforesaid approval, the Company holds 64.30% of its shares
“China Re AMC”	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005. The Company holds 70% of its shares, and China Re P&C, China Re Life and China Continent Insurance hold 10% of its shares respectively
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
“China Re P&C”	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
“China Re Syndicate 2088”	the syndicate established at Lloyd’s in December 2011 by the Company through China Re UK

“China Re UK”	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
“CNIP”	China Nuclear Insurance Pool. CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C
“Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險 (集團) 股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Hong Kong Listing Rules
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2018 until 30 June 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”	the supervisor(s) of our Company

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

Beijing, the PRC, 29 August 2018

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

* *The appointment of Ms. Jiang Bo will become effective upon the approval of her qualification as a director by the CBIRC and the implementation of the procedural requirements set out by the Articles of Association of the Company.*