CHINA RE

中國再保險（集團）股份有限公司
China Reinsurance (Group) Corporation

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

Stock Code : 1508

GLOBAL OFFERING

Joint Sponsors

CICC 中金香港证券 | UBS | HSBC

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券 | HSBC | UBS | Deutsche Bank | 建银国际 CCB International | Morgan Stanley | NOMURA

Joint Bookrunners and Joint Lead Managers

中信證券 CITIC CLSA Securities | 長江證券（香港）CHANGJIANG SECURITIES (HK) | ICBC 工银国际 | 農銀國際 ABC INTERNATIONAL | 安信國際 ESSENCE INTERNATIONAL | BofA Merrill Lynch

Daiwa Capital Markets | citi | CREDIT SUISSE | BOC INTERNATIONAL | Jefferies | 中國銀河國際 CHINA GALAXY INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

CHINA RE

China Reinsurance (Group) Corporation
中國再保險(集團)股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**5,769,890,000 H Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**5,481,394,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**288,496,000 H Shares (subject to adjustment)**
Maximum offer price	**:**	**HK$2.70 per Offer Share, plus 1% brokerage, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1508**

Joint Sponsors

CICC 中金香港证券 UBS HSBC

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券 HSBC UBS Deutsche Bank 建银国际 CCB International Morgan Stanley NOMURA

Joint Bookrunners and Joint Lead Managers

CITIC CLSA Securities 長江證券(香港) CHANGJIANG SECURITIES (HK) ICBC 工银国际 農銀國際 ABC INTERNATIONAL 安信國際 ESSENCE INTERNATIONAL BofA Merrill Lynch

Daiwa Capital Markets citi CREDIT SUISSE BOC INTERNATIONAL Jefferies 中國銀河國際 CHINA GALAXY INTERNATIONAL

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We are incorporated, and most of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set forth in "Risk Factors", "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of Articles of Association."

The Offer Price is expected to be determined by agreement between the Underwriters' Representatives (on behalf of the Underwriters) and the Company on or around Saturday, 17 October 2015 and, in any event, not later than Friday, 23 October 2015. The Offer Price will be not more than HK$2.70 per Offer Share and is currently expected to be not less than HK$2.25 per Offer Share, unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$2.70 per Offer Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than the price per Offer Share payable on application.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Underwriters' Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

13 October 2015

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . 11:30 a.m. on 16 October 2015

Application lists open [3] . . . . 11:45 a.m. on 16 October 2015

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on 16 October 2015

Latest time to give **electronic application instructions** to HKSCC [4] . . . . 12:00 noon on 16 October 2015

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on 16 October 2015

Application lists close . . . . 12:00 noon on 16 October 2015

Expected Price Determination Date [5] . . . . 17 October 2015

(1) Announcement of

- Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.chinare.com.cn** on or before . . . . 23 October 2015

(2) Results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — Publication of Results") from . . . . 23 October 2015

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from . . . . 23 October 2015

H Share certificates in respect of wholly or partially successful applications to be despatched on or before[6][7] . . . . 23 October 2015

White Form e-Refund payment instructions/ refund cheques in respect of wholly or partially unsuccessful applications to be despatched on or before[7][8][9] . . . . 23 October 2015

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on . . . . 9:00 a.m. on 26 October 2015

---

(1) All dates and times refer to Hong Kong local dates and time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 16 October 2015, the application lists will not open on that day. Please refer to the paragraph entitled "10. Effect of Bad Weather on the Opening of the Application Lists" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph entitled "6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around 17 October 2015 and, in any event, not later than 23 October 2015. If, for whatever reason, the Offer Price is not agreed by 23 October 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) No temporary document of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on 26 October 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated according to their respective terms. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the H share certificates becoming valid certificates of title do so entirely at their own risk.

(7) Applicants who have applied for 1,000,000 or more Hong Kong Offer Shares and have provided necessary details may collect their refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 23 October 2015. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, identification

documents (which must be acceptable to Computershare Hong Kong Investor Services Limited). Uncollected refund cheques and H Share certificates will be despatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who have applied through the **White Form eIPO** service by paying the application monies through a single bank account may have refund monies (if any) despatched to the application payment bank account of applicants, in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service by paying their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** service, in the form of refund cheques, by ordinary post at their own risk.

(9) e-Refund payment instructions/refund cheques will be issued to applicants in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by China Reinsurance (Group) Corporation solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us or any of our affiliates or advisers, nor by any of the underwriters or any of their affiliates or advisers. Information contained on our website located at www.chinare.com.cn or any website of our subsidiaries does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are currently the only domestic reinsurance group in the PRC. We were also Asia's largest and the world's eighth largest reinsurance group in terms of reinsurance premium income in 2014, according to A.M. Best. We originated from The People's Insurance Company of China, the first insurance company in the PRC founded in 1949. As the only domestic reinsurance group in the PRC, we have played an active role in the development of the country's insurance industry by leading and expanding its reinsurance market and promoting sound and rapid development of its primary insurance market. We have maintained a leading position in the PRC reinsurance market since our formation, and we have established a strong client base with long-term business relationships with an overwhelming majority of domestic insurance companies.

We operate four principal business segments, consisting of P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses. The majority of our businesses are conducted in the PRC market. In addition, we engage in international businesses. Our international P&C reinsurance businesses primarily include international P&C reinsurance business operated by China Re P&C and Lloyd's business underwritten by China Re Syndicate 2088. Our overseas life and health reinsurance businesses primarily comprise cross-border RMB reinsurance business and a small amount of other overseas life and health reinsurance businesses. As part of our P&C reinsurance business, we also underwrite nuclear insurance business through China Nuclear Insurance Pool, or CNIP.

- According to the data published by the CIRC, we ranked first with a Market Share in terms of Premiums Ceded of 33.1% in the PRC P&C reinsurance market in 2013.
- According to the data published by the CIRC, we ranked second with a Market Share in terms of Premiums Ceded of 37.7%, and ranked first when financial reinsurance was excluded, in the PRC life and health reinsurance market in 2013.
- According to the data published by the CIRC, in terms of Original Premium Income, we ranked sixth among PRC P&C insurance companies with a market share of 3.0% and 3.1% in 2014 and the first half of 2015, respectively.
- As at 30 June 2015, our total investment assets amounted to RMB145,232 million, including RMB136,346 million under the management of China Re AMC. In 2014 and the first half of 2015, the total investment yield of our Group on a consolidated basis was 6.54% and 6.95% (not annualised), respectively.

We have an extensive client coverage of insurance companies in the PRC in respect of our reinsurance business. As at the Latest Practicable Date, our reinsurance clients consisted of 66 P&C insurance companies and 70 life and health insurance companies in the PRC, representing 93% of the insurance companies in the PRC as at the same date. Our primary P&C insurance business has an extensive customer base as well, including approximately 13.873 million individuals and approximately 435,000 entities as at 30 June 2015.

We achieved rapid growth during the Track Record Period in terms of total assets, GWPs and net profit. Our total assets grew at a CAGR of 13.2% from RMB148,029 million as at 31 December 2012 to RMB189,675 million as at 31 December 2014; our GWPs grew at a CAGR of 11.5% from RMB59,299 million in 2012 to RMB73,753 million in 2014; and our consolidated net profit grew at a CAGR of 53.7% from RMB2,318 million in 2012 to RMB5,476 million in 2014. Our total assets were RMB230,794 million as at 30 June 2015. Our GWPs and consolidated net profit were RMB43,048 million and RMB6,682 million in the first half of 2015, respectively.

We were rated "A" with a stable outlook by A.M. Best for five consecutive years from 2010 to 2014. In 2014, we obtained ratings from Standard & Poor's, receiving an "A+" rating with a stable outlook. We believe such ratings demonstrate our overall strength.

Benefiting from our leading market position, strong client base, reinsurance-focused, diversified businesses, advantages in domestic data and technical expertise, proficient asset management, strategic planning for emerging businesses, centralised management and control at the Group

Company level, solid risk management capabilities and experienced management team, we believe that we are well positioned to capture the opportunities made available by the transformation and development of the PRC primary insurance and reinsurance markets, to achieve a steady growth in our business and profitability and to provide long-term and competitive returns to our Shareholders.

OUR STRENGTHS

Our principal strengths include:

- We are the pioneer of the PRC reinsurance industry, with a leading market position, extensive brand recognition and a strong client base.
- Our diversified businesses, with reinsurance as the core, enable us to benefit from the expected rapid growth of the PRC primary insurance and reinsurance markets.
- By capitalising on our extensive domestic data and strong technical expertise, we are able to provide our insurance company clients with tailored and comprehensive risk solutions.
- We have proactively expanded into strategic and emerging reinsurance businesses to capture industry growth opportunities.
- We have a nationwide distribution and service network and a favourable market position in the PRC primary P&C insurance market. We have also embarked on business transformation in response to changing market conditions, as well as expansion into strategic and emerging businesses.
- We have built a professional team and acclaimed capabilities to drive innovation in our asset management business, and our total investment yield has steadily improved.
- We have implemented efficient management at the Group Company level with solid risk management capabilities.
- We have an experienced and visionary management team.

OUR STRATEGIES

We aim to become a world-class diversified reinsurance group with a leading domestic market position and superior risk management capabilities by continuing our market-oriented reforms, professional operation and internationalisation. We endeavour to achieve such objectives through in-depth cultivation of the domestic market and continued expansion in the international market, and by strengthening our core reinsurance business, expanding our primary insurance, asset management and other businesses and capitalising on our distinctive competitive advantages. We seek to provide long-term and competitive returns to our Shareholders.

Our core objectives are to:

- solidify our leading position in the PRC reinsurance industry and capture growth opportunities in the PRC insurance market.
- create innovation-driven business models and extend the horizons of innovation.
- pursue our international strategy and coordinate the development of our domestic and international businesses.

We plan to implement a number of measures, the details of which are set forth in the section headed "Business — Our Strategies", to realise the above core objectives.

RISK MANAGEMENT

We regard risk management, internal control and compliance as an essential part of our core competitiveness and an important safeguard for achieving sustainable development. The overall objective of our risk management is to obtain returns commensurate with the risks we have assumed, promote the long term stability of our business development and ensure that our solvency and reserve adequacy are in compliance with regulatory requirements.

To achieve such objective, we have established a "three lines of defence" system based on industry standards. We aim to raise risk awareness and enhance capabilities of our employees so as to embed risk culture into our daily operations. We are among the leading companies in the PRC insurance industry in the development and application of risk management techniques. We have developed a number of proprietary models, such as an economic capital model, a capital adequacy model, an insurance solvency model and an in-house rating model, to systematically quantify our risk exposures. We have also developed and implemented our proprietary core analysis system (REAPS), a quantitative analysis system that supports the management of the entire business process, with analytic techniques and tools in line with international standards, and have compiled the "China Re Life Online Electronic Underwriting Manual" tailored for China's life and health insurance market to screen risks at their entry. We have also established a quality monitoring system for our motor insurance business and developed a monitoring table based on business classification. In addition, we have established an industry-leading risk appetite system, refined the risk tolerance and risk limits of various subsidiaries, and provided risk control plans to guide our business development and support the Group's decision-making, and we have started to adopt RORAC as a metric in our performance appraisal. With the coordination within our Group, our risk management framework covers principal risk faced by us, such as insurance risk (including catastrophe risk), market risk, liquidity risk, credit risk, concentration risk, operational risk, strategy risk and reputational risk.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary consolidated financial information as at and for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. We have derived this summary from our audited consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The following table also presents our summary consolidated income statements data for the six months ended 30 June 2014, which we have derived from our unaudited consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. Our results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015 or for any other future period. You should read this summary in conjunction with those financial statements and accompanying notes, and the information set forth in "Financial Information."

Summary Historical Consolidated Income Statements Data

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	(RMB in millions, except earnings per share)			*(unaudited)*	
Gross written premiums	59,299	67,375	73,753	34,964	43,048
Net premiums earned	55,293	61,112	68,852	31,659	37,825
Investment income	4,117	5,991	7,633	4,076	9,257
Including:					
Negative goodwill arising from reclassification of investments in associates	—	—	2,066	2,066	—
Total income	60,551	68,301	77,799	36,483	47,568
Claims and policyholders' benefits	(37,760)	(41,535)	(50,377)	(22,975)	(27,259)
Handling charges and commissions	(13,636)	(15,799)	(13,226)	(6,004)	(7,184)
Total benefits, claims and expenses	(57,618)	(64,010)	(71,686)	(32,400)	(39,514)
Profit before tax	2,933	4,291	7,007	4,422	8,739
Net profit	2,318	3,396	5,476	3,481	6,682
Attributable to:					
Equity shareholders of the Company	2,262	3,373	5,404	3,433	6,578
Non-controlling interests	56	23	72	48	104
Earnings per share (in RMB)					
Basic and diluted	0.06	0.09	0.15	0.09	0.18

Summary Historical Consolidated Statements of Financial Position Data

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RMB in millions)			
Assets				
Cash and short-term time deposits	2,739	7,325	7,904	8,532
Financial assets at fair value through profit or loss	5,143	2,641	2,538	2,631
Reinsurance debtors	11,769	14,903	11,734	22,886
Reinsurers' share of insurance contract liabilities	2,192	3,994	5,058	7,710
Time deposits	35,778	30,698	31,962	33,244
Available-for-sale financial assets	41,861	41,731	45,934	53,125
Held-to-maturity investments	17,039	17,891	18,186	19,025
Investments classified as loans and receivables	2,960	7,380	12,945	14,040
Total assets	148,029	154,829	189,675	230,794

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RMB in millions)			
Liabilities				
Reinsurance payables	7,713	8,792	4,698	8,012
Investment contract liabilities	1,961	5,017	21,192	37,651
Insurance contract liabilities	76,130	86,998	97,246	108,502
Total liabilities	103,759	108,941	135,040	171,187
Equity				
Share capital	36,408	36,408	36,408	36,408
Reserves	2,950	1,809	6,167	5,197
Retained profits	4,317	7,078	11,319	17,168
Total equity attributable to equity shareholders of the Company	43,675	45,295	53,894	58,773
Non-controlling interests	595	593	741	834
Total equity	44,270	45,888	54,635	59,607
Total liabilities and equity	148,029	154,829	189,675	230,794

SEGMENTAL RESULTS OF OPERATIONS

The following table sets forth a summary of our gross written premiums and net profit/(loss) by each principal reporting segment for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
							(unaudited)			
Gross written premiums										
P&C reinsurance	26,210	44.2%	30,086	44.7%	31,135	42.2%	15,587	44.6%	14,813	34.4%
Life and health reinsurance	16,057	27.1%	18,394	27.3%	21,081	28.6%	8,775	25.1%	15,543	36.1%
Primary P&C insurance	17,940	30.3%	19,909	29.5%	22,459	30.5%	11,094	31.7%	13,291	30.9%
Inter-segment eliminations	(908)	(1.6)%	(1,014)	(1.5)%	(922)	(1.3)%	(492)	(1.4)%	(599)	(1.4)%
Total	59,299	100.0%	67,375	100.0%	73,753	100.0%	34,964	100.0%	43,048	100.0%

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
							(unaudited)			
Net profit/(loss)										
P&C reinsurance	1,145	49.4%	1,723	50.8%	2,143	39.2%	1,163	33.4%	2,245	33.6%
Life and health reinsurance	277	11.9%	948	27.9%	1,415	25.8%	859	24.7%	2,254	33.7%
Primary P&C insurance	708	30.5%	238	7.0%	873	15.9%	559	16.1%	1,469	22.0%
Asset management	—	—	8	0.2%	13	0.2%	—	—	8	0.1%
Others	478	20.6%	919	27.1%	1,039	19.0%	920	26.4%	679	10.2%
Inter-segment eliminations	(290)	(12.4)%	(440)	(13.0)%	(7)	(0.1)%	(20)	(0.6)%	27	0.4%
Total	2,318	100.0%	3,396	100.0%	5,476	100.0%	3,481	100.0%	6,682	100.0%

SUMMARY OPERATING DATA AND FINANCIAL RATIOS

The following table sets forth certain operating data and financial ratios relating to our Group, as well as our P&C reinsurance business, life and health reinsurance business and primary P&C insurance business.

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015 [(1)]
Our Group				
Weighted average return on equity [(2)]	5.40%	7.58%	10.91%	11.65%
Return on average assets [(3)]	1.70%	2.24%	3.18%	3.18%
Total investment yield [(4)]	3.99%	5.18%	6.54%	6.95%
Net investment yield [(5)]	5.00%	4.86%	5.22%	2.78%
P&C reinsurance segment				
Weighted average return on equity [(2)]	11.42%	15.34%	15.94%	13.99%
Return on average assets [(3)]	2.69%	3.66%	4.27%	4.06%
Growth rate of retained premiums [(6)]	15.29%	15.54%	3.06%	(5.13)%
Retention ratio [(7)]	97.74%	98.38%	97.97%	97.87%
Loss ratio	58.14%	60.22%	63.96%	61.62%
Expense ratio	40.90%	38.34%	34.07%	36.38%
Combined ratio	99.04%	98.56%	98.03%	98.00%
Total investment yield [(4)]	4.30%	5.14%	5.68%	6.64%
Net investment yield [(5)]	4.74%	4.69%	4.68%	2.30%
Life and health reinsurance segment				
Weighted average return on equity [(2)]	4.42%	12.75%	15.07%	19.06%
Return on average assets [(3)]	0.59%	1.62%	1.91%	2.19%
Total investment yield [(4)]	4.36%	5.26%	6.33%	6.83%
Net investment yield [(5)]	5.17%	5.20%	5.43%	2.98%
Primary P&C insurance segment				
Weighted average return on equity [(2)]	11.60%	3.51%	11.62%	14.06%
Return on average assets [(3)]	2.97%	0.95%	3.13%	4.50%
Growth rate of retained premiums [(6)]	11.04%	10.98%	14.85%	21.00%
Retention ratio [(7)]	89.72%	89.72%	91.35%	90.84%
Loss ratio	60.17%	64.62%	59.03%	55.43%
Expense ratio	38.15%	38.57%	40.81%	42.49%
Combined ratio	98.32%	103.19%	99.84%	97.92%
Total investment yield [(4)]	4.41%	4.89%	5.46%	7.27%
Net investment yield [(5)]	4.80%	4.58%	4.53%	2.43%

Notes:

(1) The ratios of weighted average return on equity, return on average assets, total investment yield and net investment yield for the six months ended 30 June 2015 are not annualised.

(2) Ratio of net profit attributable to equity shareholders of the Company to balance of weighted average equity calculated pursuant to the CSRC's Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Return on Equity and Earnings per Shares (2010 Revision), as amended on 11 January 2010.

(3) Ratio of net profit to average balance of total assets as at the beginning and end of the period.

(4) Ratio of total investment income to the average of investment assets as at the beginning and end of the period. Please refer to the section headed "Business — Asset Management — Investment Performance and the Composition of Investment Portfolio" for information regarding the composition of our investment portfolio and other information relating to our investment assets. Total investment income equals the sum of investment income and share of profit of associates, net of 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, policy loans, investments in associates, statutory deposits and investment property, net of securities sold under agreements to repurchase.

(5) Ratio of net investment income to the average of investment assets as at the beginning and end of the period. Net investment income equals to the sum of interest, dividends, rental income and share of profit of associates. Please refer to the section headed "Business — Asset Management — Investment Performance and the Composition of Investment Portfolio."

(6) Ratio of the difference of retained premiums (i.e., net written premiums) of the current period and the previous corresponding period divided by retained premiums of the previous corresponding period. Retained premiums are equal to gross written premiums net of premiums ceded to reinsurers and retrocessionaires, as the case may be.

(7) Ratio of net written premiums to gross written premiums.

In 2012, 2013 and 2014, the weighted average return on equity of our Group, our P&C reinsurance segment and our life and health reinsurance segment all increased, primarily due to strong growth in net profit as a result of increased investment income and generally stable underwriting performance. However, the weighted average return on equity of our primary P&C insurance segment in 2013 was lower than that in 2012 and 2014, primarily due to a relatively large underwriting loss (therefore a higher combined ratio) in that year as a result of more intensified competition, increased claims and the high incidence of major natural catastrophes in 2013. The relatively high weighted average return on equity of our Group, our P&C reinsurance segment, our life and health reinsurance segment and our primary P&C insurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our Group, our P&C reinsurance segment, our life and health reinsurance segment and our primary P&C insurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015.

During the Track Record Period, the total investment yield of our Group and our P&C reinsurance, life and health reinsurance and primary P&C insurance segments all increased, primarily because (i) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (ii) in light of the PRC Government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g., infrastructure debt investment schemes), subject to our rigorous risk management policies; (iii) the equity and bond markets were in an overall uptrend in 2014 and the first half of 2015, and (iv) our investments in China Everbright Bank Company Limited ("China Everbright Bank") generated investment income.

During the Track Record Period, the net investment yield of our Group and our P&C reinsurance, life and health reinsurance and primary P&C insurance segments remained relatively stable.

During the Track Record Period, our Group recorded strong growth in GWPs. For our P&C reinsurance segment, the decrease in retained premiums for the six months ended 30 June 2015 as compared to the same period in 2014 was primarily due to a decrease in the premiums ceded to us in our domestic motor line of business, the effects of which were partially offset by increases in premiums generated from our international P&C reinsurance business and premiums ceded to us in our domestic agricultural, engineering and liability lines of business. The slowdown in the growth of retained premiums for our P&C reinsurance segment in 2014 as compared to that in 2013 was primarily due to the slowdown in the growth of premiums ceded to reinsurers by primary P&C insurance companies that, benefiting from the then active capital markets, generally maintained a relatively sufficient solvency level in 2014.

For details, please refer to the sections headed "Financial Information — Results of Operations — Our Group", "Financial Information — Results of Operations — P&C Reinsurance", "Financial Information — Results of Operations — Life and Health Reinsurance" and "Financial Information — Results of Operations — Primary P&C Insurance."

SOLVENCY MARGIN RATIOS

The following table sets forth the solvency margin ratios of our Group, the Group Company and each of our reinsurance and insurance subsidiaries as at the dates indicated:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
Solvency margin ratio				
Our Group	381%	324%	248%	253%
Group Company	8,108%	11,003%	16,309%	8,684%
China Re P&C	180%	159%	217%	290%
China Re Life	202%	174%	271%	243%
China Continent Insurance	192%	160%	228%	240%

As at the dates indicated, our Group, the Group Company and each of our reinsurance and insurance subsidiaries all met the minimum solvency margin ratio requirements stipulated by the CIRC. In addition, we believe that our estimated losses arising from the 2015 Tianjin Explosions will not have a material adverse effect on the respective solvency margin ratios of our Group, the Group Company, China Re P&C, China Re Life and China Continent Insurance, each of which is expected to meet the minimum solvency margin ratio requirements stipulated by the CIRC after taking into account these estimated losses. For details of the estimated losses arising from the 2015 Tianjin Explosions, please refer to "—Recent Developments and No Material Adverse Changes—2015 Tianjin Explosions."

EMBEDDED VALUE

In order to provide investors with an additional tool to understand our economic value and business results, we have engaged Ernst & Young, an independent firm of consulting actuaries, to prepare a report on the estimates of our embedded value (excluding any value attributable to future new business) and the estimate of the actuarial value of one year's new business of our life and health reinsurance business. In this report, the embedded value of the Group is defined as the sum of adjusted net worth of the Group and the value of in-force business of our life and health reinsurance business.

The report prepared by Ernst & Young is set out in Appendix III to this prospectus. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — Our embedded value and the value of one year's new business of our life and health reinsurance business are calculated based on a number of assumptions used in their respective calculations and may vary significantly as those assumptions are changed."

The following tables summarise the embedded values of our Group as at 31 December 2014 and 30 June 2015 and the values of one year's new business of life and health reinsurance for the 12 months prior to 31 December 2014 and for the 12 months prior to 30 June 2015. These valuation results are illustrated by using risk discount rates of 10%, 11% and 12%, which take into account a number of factors, primarily the market interest rate and the risk premium, and are determined on the basis of the Capital Asset Pricing Model and in accordance with the Life and Health Insurance Embedded Value Reporting Guidelines issued by the CIRC.

Embedded Value	**As at 31 December 2014**			**As at 30 June 2015**		
	(RMB in millions, except percentages)					
Risk Discount Rate	10%	11%	12%	10%	11%	12%
Embedded Value of the Group	56,855	56,495	56,175	62,442	62,053	61,707
Including:						
Embedded value of life and health reinsurance business	14,144	13,783	13,464	16,622	16,232	15,886

Value of New Business	**For the 12 months prior to 31 December 2014**			**For the 12 months prior to 30 June 2015**		
	(RMB in millions, except percentages)					
Risk Discount Rate	10%	11%	12%	10%	11%	12%
Value of One Year's New Business after cost of capital	713	643	580	893	811	737

None of the embedded values of our Group and the values of one year's new business of our life and health reinsurance business set forth in the table above is, and neither the value of in-force business nor the value of one year's new business of our life and health reinsurance business in the future is expected to be, affected by our losses from the 2015 Tianjin Explosions. To the extent our adjusted net worth as of a future valuation date decreases as a result of our losses from the 2015 Tianjin Explosions, the embedded value of our Group as of such valuation date will decrease accordingly, although, based on information available to us as at the Latest Practicable Date, we do not anticipate any such decrease will have a material adverse effect on such embedded value of our Group.

DIVIDEND POLICY

We paid dividends of RMB45 million, RMB48 million and RMB437 million for the years ended 31 December 2012, 2013 and 2014, respectively. We declared a cash dividend totalling RMB728 million in April 2015, which was paid in July 2015.

A special pre-IPO dividends (the "special pre-IPO dividends") distribution plan was approved at our Company's third extraordinary general meeting of 2015 held on 26 June 2015. We will distribute all the accumulated distributable retained profits of our Company (the lesser of the accumulated distributable retained profits of our Company as shown in our Company's financial statements under the PRC GAAP and those as shown in our Company's financial statements under the IFRS, after deducting the statutory reserve and general reserve (to be determined in accordance with the PRC GAAP) as required under PRC law) as at the last calendar day of the calendar month immediately prior to the Listing ("the special dividend cut-off date", including the last calendar day) to our Company's Shareholders of record as at the special dividend cut-off date based on their respective shareholding percentages. The specific amount of the special pre-IPO dividends will be determined and distributed based on the audited results. Our preliminary estimate of the special pre-IPO dividends would amount to approximately RMB3,400 million, which would be further adjusted based on the aforementioned audited results. We will make an announcement regarding the actual amount of the special pre-IPO dividends after the Listing. The existing and new Shareholders after the Global Offering will be entitled to participate in the accumulated distributable retained profits of our Company in proportion to their shareholdings after the above distribution.

Our Company may pay dividends in the form of cash, shares or a combination of cash and shares. Our Company's distribution of retained profits will be determined in accordance with the PRC GAAP and relevant laws and regulations or IFRS or other accounting standards applicable in overseas listings, whichever results in lower retained profits. We are not allowed to distribute profits to our Company's Shareholders if our Company's solvency margin ratio does not meet regulatory requirements. Our Company's dividend policy currently does not include a specific dividend payout ratio. Please refer to "Financial Information — Dividend Policy" for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGES

Recent Stock Market Volatility in the PRC

The PRC A-share stock market had experienced a significant surge from the second half of 2014 to mid-June 2015, which was followed by a number of substantial declines with continuous fluctuations. The PRC Government and regulators have since taken a series of measures to stabilise the stock market.

Despite the recent market volatilities, we remain committed to the investment philosophy of prudence and long-term value investment and have adopted investment strategies in response to the volatile stock markets designed to enhance the stability of our asset management business and investment income, including disposing of certain equity assets when market opportunities arose based on our assessment of the markets, so as to reduce the proportion of equity assets in our investment portfolio and realise investment gains, and focusing more on risk control. As a result, although the recent market volatilities led to some fluctuations in the book value of our equity assets measured at fair value, we do not believe that these market volatilities have had a material adverse impact on our business, results of operations or financial condition.

We anticipate that the market volatilities and uncertainties will remain in the near future, which could adversely affect our business, results of operations or financial condition. Please refer to "Risk Factors — Risks Relating to Our Business — Our investment assets may experience sharp declines in their returns or suffer significant losses, which would have a material adverse effect on our results of operations and financial condition."

2015 Tianjin Explosions

On 12 August 2015, massive fires and explosions originating from a hazardous materials warehouse struck the port area of Tianjin, China, causing hundreds of casualties (including over 160 confirmed fatalities as at the Latest Practicable Date) and extensive property damage (the "2015 Tianjin Explosions").

Based on information available to us as at the Latest Practicable Date, we expect that our aggregate pre-tax losses arising from the 2015 Tianjin Explosions, net of estimated recoveries from reinsurance and retrocession (including excess of loss coverage) and estimated sliding scale commission adjustments, could range from approximately RMB900 million to approximately RMB1,100 million. These estimated losses are primarily attributable to the commercial property and cargo lines of business in our P&C reinsurance segment and the commercial property, cargo and motor lines of business in our primary P&C insurance segment. We have derived our current estimates of potential losses by assembling, reviewing and analysing relevant information available to us, including, among others, (i) loss reports and other loss and exposure information provided by cedants, insureds, lead reinsurers and brokers, (ii) data from loss inspections conducted by or on behalf of us to the extent feasible (including through the use of drones), (iii) terms and conditions of insurance policies and reinsurance and retrocession contracts involved, or likely to be involved, in related losses and (iv) credit ratings of our relevant reinsurers and retrocessionaires, and have incorporated in these estimates a margin for uncertainty that our management believes to be prudent under the circumstances based on information available to us and our historical catastrophe loss experience.

Based on information available to us as at the Latest Practicable Date and taking into account the size and nature of our operations and our financial strength (including our total equity and the respective solvency margin ratios of our Group, the Group Company, China Re P&C, China Re Life and China Continent Insurance), while our estimated aggregate losses arising from the 2015 Tianjin Explosions will have an adverse impact on our net profit for 2015, we do not anticipate that these losses will have a material adverse effect on our overall business or financial condition. Estimating losses following any major catastrophe is inherently uncertain and made more challenging in this case by a number of factors, including, among others, the ongoing investigation and damage assessment by governmental authorities, insurers and reinsurers, current restrictions on accessing portions of the affected area and delays in claims reporting. While we believe that our preliminary estimates are reasonably made under the current circumstances, we cannot assure you that the amount of our actual losses in connection with the 2015 Tianjin Explosions will be within the range of our current estimates.

For additional information on risks relating to catastrophic events and reserves, please refer to "Risk Factors—Risks Relating to Our Business—Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition" and "Risk Factors—Risks Relating to Our Business—Differences between actual experience and the assumptions used in pricing, underwriting and reserving for our reinsurance and insurance products may materially and adversely affect our business, results of operations, financial condition and prospects."

The underwriting practices of P&C reinsurers and insurers may from time to time be adjusted based on various factors such as changes to historical experience data and estimates of probability of loss and related costs by such reinsurers and insurers, among other factors. The occurrence of a catastrophic event such as the 2015 Tianjin Explosions could lead to P&C reinsurers and insurers making adjustments to their underwriting practices, such as the maximum coverage and pricing of certain reinsurance and insurance products and the maximum retention amounts of certain types of P&C insurance policies. With respect to life and health reinsurers, it is not anticipated that a single catastrophe, such as the 2015 Tianjin Explosions, will have a substantial impact on their underwriting practices.

Updates on Business Operations and Financial Position

In July 2015, through an independent special purpose vehicle, we successfully sponsored the issuance, in the overseas markets, of the first catastrophe bond linked to China earthquake risks, which marked a breakthrough in China's insurance industry in utilising alternative risk transfer instruments. For details of the catastrophe bond, please refer to "Business — P&C Reinsurance Business — Underwriting and Pricing — Actuarial Pricing and Risk Analysis."

In July 2015, China Re AMC HK, our Hong Kong asset management subsidiary, commenced its operation as our offshore investment platform.

Our total income and profit before tax increased during the eight months ended 31 August 2015 as compared to the same period in 2014, primarily due to an increase in our investment income.

No Material Adverse Change

Our Directors confirm that, save for the adverse impact that the 2015 Tianjin Explosions will have on our net profit for 2015, there has been no material adverse change in the financial or trading position of the Company since 30 June 2015 and up to the date of this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, the MOF will hold 5,407,101,067 Domestic Shares (representing approximately 12.82% interest in our Company and 15.09% of the Domestic Shares), Central Huijin will hold 30,423,521,018 Domestic Shares (representing approximately 72.13% interest in our Company and 84.91% of the Domestic Shares), and the NSSF will hold 576,989,000 H Shares (representing approximately 1.37% interest in our Company and 9.09% of the H Shares). Please refer to the section headed "Substantial Shareholders" for details.

OFFER STATISTICS

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises: (i) the Hong Kong Public Offering of initially 288,496,000 Offer Shares (subject to adjustment) in Hong Kong; and (ii) the International Offering of initially 5,481,394,000 Offer Shares (subject to adjustment and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S and in the United States solely to Qualified Institutional Buyers, or QIBs.

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 5,769,890,000 H Shares are issued in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 42,177,501,085 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$2.25 per H Share	Based on an Offer Price of HK$2.70 per H Share
Market capitalisation of our Shares	HK$94.90 billion	HK$113.88 billion
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)(2)	HK$1.95 (RMB1.60)	HK$2.01 (RMB1.65)

Notes:

(1) The amount of unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share do not take into account the financial results or other transactions of the Company subsequent to 30 June 2015. In addition, no adjustment has been made to reflect the special pre-IPO dividends that will be distributed in an amount equal to the Company's accumulated distributable retained profits as at the special dividend cut-off date. The Company preliminarily estimated that the special pre-IPO dividends would amount to approximately RMB3,400 million, which would be further adjusted based on an audit of the Company's financial statements for the period ended on the special dividend cut-off date. If the aforementioned special pre-IPO dividends were taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be reduced to HK$1.85 (equivalent to RMB1.52), based on an Offer Price of HK$2.25 per H Share, and HK$1.91 (equivalent to RMB1.57), based on an Offer Price of HK$2.70 per H Share.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$13,888 million, assuming an Offer Price of HK$2.48 per H Share (being the mid-point of the indicative Offer Price range of HK$2.25 to HK$2.70 per H Share), after deducting underwriting fees and commissions and estimated expenses paid and payable by us in connection thereto and assuming that the Over-allotment Option is not exercised. We intend to use the net proceeds to strengthen our capital base and support our business growth. Please refer to the section headed "Future Plans and Use of Proceeds from the Global Offering" for details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB346 million (based on the mid-point of the indicative price range of the Global Offering and the assumption that the Over-allotment Option is not exercised), of which approximately RMB325 million is directly attributable to issuance of H Shares to the public and will be deducted from equity upon the Listing, and approximately RMB21 million will be recognised as other operating and administrative expenses for the year ending 31 December 2015. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending 31 December 2015. We did not recognise any listing expenses during the Track Record Period.

LEGAL AND REGULATORY PROCEEDINGS

We are involved in legal and/or regulatory proceedings or disputes in the ordinary course of our business. As at the Latest Practicable Date, we were not aware of any legal and/or regulatory proceedings or disputes which, in the opinion of our Directors, would have a material adverse effect on our business, financial position, results of operations or prospects. Please refer to the section headed "Business — Legal and Regulatory Proceedings" for details.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to the reinsurance and insurance industries; (iii) risks relating to the PRC and (iv) risks relating to the Global Offering and the H Shares. Some of the major risks we face include:

- Our business, results of operations, financial condition and prospects may be materially and adversely affected if we are unable to implement our growth strategy successfully.
- Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.
- Differences between actual experience and the assumptions used in pricing, underwriting and reserving for our reinsurance and insurance products may materially and adversely affect our business, results of operations, financial condition and prospects.
- Our investment assets may experience sharp declines in their returns or suffer significant losses, which would have a material adverse effect on our results of operations and financial condition.
- We may suffer losses due to our exposure to credit risk with respect to our investments.
- If we cannot effectively respond to the increasing competition in the reinsurance and insurance industries, in particular in the PRC, our profitability and market share could be materially and adversely affected.
- The cyclical nature of the reinsurance and insurance industries may cause significant fluctuations in our results of operations.
- The implementation of the C-ROSS regime may adversely affect our business, results of operations, financial condition and prospects.
- The PRC insurance market may not grow as rapidly as we anticipate.

Please refer to the section headed "Risk Factors" for details regarding these and other risks and uncertainties that you should carefully consider before making an investment in the Offer Shares.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain other terms are explained in "Glossary."

"A.M. Best"	A.M. Best Company, Inc., an international credit rating agency
"AIR"	AIR Worldwide Corporation, a provider of risk modelling software and consulting services
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them
"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 CIRC on 9 July 2015
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Business Day"	any day on which banks in Hong Kong are open generally for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate, which is the annualised growth rate over a specific period of time
"CARP"	China Agricultural Reinsurance Pool
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CECIP"	China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool
"Central Huijin"	Central Huijin Investment Ltd.
"China" or "PRC"	the People's Republic of China and, for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"China Continent Insurance"	China Continent Property and 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
"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
"China Re AMC HK"	China Re Asset Management (Hong Kong) Company Ltd. (中再資產管理(香港)有限公司), a wholly-owned subsidiary of China Re AMC incorporated in Hong Kong on 22 January 2015
"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
"China Re Underwriting"	China Re Underwriting Agency Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 8 August 2014, formerly known as China Re Agency Limited

"CICC HKS"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"our Company", the "Company" or "Group Company"	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
"CNIP"	China Nuclear Insurance Pool
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Cornerstone Investors"	the cornerstone investors as described in the section headed "Our Cornerstone Investors"
"C-ROSS"	China Risk Oriented Solvency System, which is China's second-generation insurance solvency regulation system
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	members of the board of directors of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"Ernst & Young"	Ernst & Young (China) Advisory Limited, an independent firm of consulting actuaries
"Existing Shareholders"	existing shareholders of the Company prior to the Global Offering, consisting of Central Huijin and MOF
"Fitch"	Fitch Ratings, Inc., an international credit rating agency
"GBP"	pounds sterling, the lawful currency of the United Kingdom
"GDP"	gross domestic product, the total market value of all final goods and services produced within the borders of a country or another territory in a certain period
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Government Administration Council of the PRC"	a branch of the Central People's Government of the PRC and the "highest executive branch for state government administration" under the leadership of the Central People's Government of the PRC from 21 October 1949 to 27 September 1954
"GREEN application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "China Re Group", "we" or "us"	the Company and, except where the context requires, its subsidiaries, or, where the context refers to any time prior to its incorporation, the business which its predecessors were engaged in and which it subsequently inherited
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares of our Company, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants, which include Hong Kong Accounting Standards and their interpretations
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

"Hong Kong Offer Shares"	288,496,000 H Shares being offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong, on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 11 October 2015 relating to the Hong Kong Public Offering entered into by our Company and, among others, the Underwriters' Representatives (on behalf of the Hong Kong Underwriters) as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering"
"Huatai Insurance Agency"	Huatai Insurance Agency and Consultant Service Limited
"IASB"	the International Accounting Standards Board
"IFRS"	Standards and Interpretations adopted by the IASB comprising: — International Accounting Standards; — International Financial Reporting Standards; and — amendments and the related interpretations issued by the IASB
"independent third party"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"International Offer Shares"	the H Shares offered pursuant to the International Offering
"International Offering"	the conditional placing by the International Purchasers of the International Offer Shares, as further described in the section headed "Structure of the Global Offering — The International Offering"

"International Purchasers"	the several underwriters of the International Offering, who are defined in the International Purchase Agreement and are expected to underwrite the International Offering pursuant to the International Purchase Agreement
"International Purchase Agreement"	the underwriting agreement relating to the International Offering expected to be entered into by our Company and the International Representatives (on behalf of the International Purchasers), as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — International Offering"
"International Representatives" or "Underwriters' Representatives"	CICC HKS, UBS AG Hong Kong Branch and The Hongkong and Shanghai Banking Corporation Limited
"Interpretation No. 2"	The Interpretation No. 2 to Accounting Standards for Business Enterprises (企業會計準則解釋第2號) issued by the Ministry of Finance on 7 August 2008; the Provisions on the Accounting Treatment on Insurance Contracts (保險合同相關會計處理規定) issued by the Ministry of Finance on 22 December 2009; the Announcement of Implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises (關於保險業實施<企業會計準則解釋第2號>有關事項的通知) issued by the CIRC on 5 January 2009; the Announcement of Further Implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises (關於保險業做好<企業會計準則解釋第2號>實施工作的通知) issued by the CIRC on 25 January 2010 and other related regulations
"Joint Bookrunners"	CICC HKS, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited, CLSA Limited, Changjiang Securities Brokerage (HK) Limited, ICBC International Capital Limited, ABCI Capital Limited, Essence International Securities (Hong Kong) Limited, Merrill Lynch International, Daiwa Capital Markets Hong Kong Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Credit Suisse (Hong Kong) Limited, BOCI Asia Limited, Jefferies Hong Kong Limited and China Galaxy International Securities (Hong Kong) Co., Limited

"Joint Global Coordinators"	CICC HKS, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, Morgan Stanley Asia Limited and Nomura International (Hong Kong) Limited
"Joint Lead Managers"	CICC HKS, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, Morgan Stanley Asia Limited, Nomura International (Hong Kong) Limited, CLSA Limited, Changjiang Securities Brokerage (HK) Limited, ICBC International Securities Limited, ABCI Securities Company Limited, Essence International Securities (Hong Kong) Limited, Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Daiwa Capital Markets Hong Kong Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Credit Suisse (Hong Kong) Limited, BOCI Asia Limited, Jefferies Hong Kong Limited and China Galaxy International Securities (Hong Kong) Co., Limited
"Joint Sponsors"	CICC HKS, UBS Securities Hong Kong Limited and HSBC Corporate Finance (Hong Kong) Limited
"Latest Practicable Date"	5 October 2015, being the Latest Practicable Date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be 26 October 2015, on which dealings in our H Shares commence on the Hong Kong Stock Exchange
"Lloyd's"	the Society of Lloyd's, a leading specialist insurance market
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the Main Board of the Hong Kong Stock Exchange

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the PRC Securities Commission, the predecessor of the CSRC, and the PRC State Commission for Restructuring the Economic System on 27 August 1994, as amended and supplemented from time to time
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Moody's"	Moody's Investors Service, Inc., an international credit rating agency
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"National People's Congress" or "NPC"	the National People's Congress of the People's Republic of China (中華人民共和國全國人民代表大會)
"New Ten Guidelines"	The Several Opinions on Accelerating the Development of the Modern Insurance Service Industry (關於加快發展現代保險服務業的若干意見) issued by the State Council on 13 August 2014
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"nominal GDP"	GDP calculated by using current year prices
"nominal GDP per capita"	is calculated by dividing nominal GDP by the population
"Nomination and Remuneration Committee"	the nomination and remuneration committee of the Board
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"OCI"	Office of the Commissioner of Insurance of the Government of Hong Kong
"Offer Price"	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of the brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Hong Kong Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering, to be determined as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"

"Offer Shares"	the H Shares offered in the Global Offering (for the purposes of this prospectus, the total number of initial Offer Shares under the Global Offering is assumed to be 5,769,890,000 Offer Shares)
"Over-allotment Option"	the option expected to be granted by the Company to the International Purchasers exercisable by the International Representatives under the International Purchase Agreement pursuant to which the Company may be required by the International Purchasers to issue up to 865,480,000 additional H Shares, representing in aggregate 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price, as described in the section headed "Structure of the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of China
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress of the PRC and all the local people's congresses or, as the context may require, any of them
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises (企業會計準則)
"PRC Government" or "State"	the government of the PRC, including all governmental subdivisions (including central, provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Insurance Law"	the Insurance Law of the PRC (中華人民共和國保險法), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People's Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time

"Price Determination Date"	the date, expected to be on or around 17 October 2015, but no later than 23 October 2015, on which the Offer Price is fixed for the purposes of the Global Offering
"PSBC"	Postal Savings Bank of China (中國郵政儲蓄銀行) and, as the context may require, its branches
"P&C"	property and casualty
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RMS"	Risk Management Solutions, Inc., a catastrophe modelling software provider
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the People's Republic of China (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong, as amended from time to time
"Shareholder(s)"	holder(s) of our Shares
"Shares"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Sigma Report"	a non-commissioned report published by Swiss Reinsurance Company, an independent third party reinsurance company
"Sophis system"	an internationally recognised investment management software, which is supplied by Misys International Financial Systems Technology (Beijing) Co., Ltd.

"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (關於股份有限公司境外募集股份及上市的特別規定) issued by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"Standard & Poor's"	Standard & Poor's Ratings Services, an international credit rating agency
"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局)
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary"	has the meaning ascribed to it in the Listing Rules, unless the context requires otherwise
"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules
"Supervisors"	members of the Board of Supervisors
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the three financial years ended 31 December 2014 and the six months ended 30 June 2015
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	US dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"value-added tax"	tax payable by entities and individuals selling products or providing services, repairs and replacement services and importing products within China; all amounts are exclusive of value-added tax in this prospectus except indicated otherwise

"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	the World Trade Organisation

This glossary contains explanations of certain technical terms used in this prospectus in connection with our business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"1/24 method"	a method for estimating unearned premium reserves based on the assumptions that premiums are received evenly over each month and risk is spread evenly over the insurance period.
"1/365 method"	a method for estimating unearned premium reserves based on the assumption that the risk is spread evenly over the insurance period.
"1/8 method"	a method for estimating unearned premium reserves based on the assumptions that premiums are received evenly over each quarter and risk is spread evenly over the insurance period.
"50/50 method"	a method for computing reserves for unallocated loss adjustment expense (ULAE), by multiplying the claim reserves for the current period with the estimated ULAE ratio, assuming that half of the ULAE is sustained when opening a claim and the other half is sustained when closing the claim.
"ancillary insurance agency"	an insurance agency which conducts insurance business and collects premiums as agent on behalf of and authorised by insurance companies with approval from the CIRC in addition to its own business.
"asset-liability management"	the management of an insurer's assets with specific reference to the characteristics of its liabilities so as to optimise the balance between risk and return.
"average cost per claim method"	a method of reserving which relies on the average cost of claims paid or incurred.
"best estimate"	the probability-weighted average, also referred to as the mean. The estimation process is unbiased and based on all currently available information including information of currently observable trends, but excluding effects from events that have not yet occurred.
"Bornhuetter-Ferguson method" or "B-F method"	a method of valuing claim reserves or ultimate loss based on a weighted combination of prior loss ratio and loss development of incurred claims.
"case reserves"	reserves for incurred claims which have been submitted to primary insurance companies or reinsurance companies but have not been settled.

"case-by-case loss estimating method"	a method to determine the claim reserves for reported claims. Each claim will be assessed individually to estimate the total claim amount to be paid.
"catastrophe bond"	catastrophe risk linked securities that transfer a specified set of catastrophe risks from a sponsor to investors. The return of principal and payment of interest is contingent on the non-occurrence of a specific catastrophe event.
"cede", "cedant" or "ceding company"	the act of ceding means an insurer, on the basis of the original insurance policy, transfers part of the risks and liabilities underwritten by it to one or more reinsurance or insurance companies, and the company that cedes a business is a cedant or a ceding company.
"cession ratio"	the ratio of premiums ceded to reinsurers to gross written premiums.
"chain ladder method"	a statistical method of estimating outstanding claims, whereby past claim development is projected into the future. The projection is based on the ratios of cumulative past claims, usually paid or incurred, for successive years of development.
"claim reserves"	the reserve set up in respect of the liability for all outstanding claims, whether reported or not, including reserves for future payments on claims that are currently regarded as settled but may be reopened.
"co-insurance"	in P&C insurance, it refers to either of the following situations: (a) where two or more insurers underwrite the same risk with several liabilities such that each insurer is not bound to follow the decisions of any co-insurer unless it has agreed to do so; or (b) where the insured acts as its own insurer for a specified proportion of the sum insured. In life reinsurance, it refers to a type of proportional reinsurance in which the ceding company cedes a proportion of sum insured of long-term or short-term insurance business (including in-force reserves and renewal premiums) to a reinsurer, and the reinsurer assumes insurance obligations based on the ceding proportion. When the reinsurance contract takes effect, the ceding company transfers the assets (if any) in relation to the business to the reinsurer, and the reinsurer pays reinsurance commissions to the ceding company.
"collateralised reinsurance"	a collateralised reinsurance contract or arrangement under which the reinsurer will generally provide collateral to guarantee the obligations of claims undertaken by it.

"combined ratio"	the sum of loss ratio and expense ratio.
"commission" or "handling charges"	a fee paid to a ceding company, or a sales entity such as an agent or broker, by an insurance or reinsurance company for the sale or maintenance of insurance products or reinsurance contracts.
"critical illness table"	the set of life industry statistical tables reflecting mainly the experienced incidence rates of critical illness of population. "China Life Insurance Experienced Critical Illness Table (2006-2010)" is the first critical illness table in the PRC.
"cross-border RMB reinsurance"	the reinsurance business of a domestic reinsurance or insurance company in China (excluding Hong Kong, Macau and Taiwan) ceded from overseas using RMB as settlement currency.
"deposits retained by cedants"	deposits placed with cedants by reinsurers as agreed in contracts in reinsurance business.
"embedded value"	a method to measure the economic value of an insurance or reinsurance company, which is the sum of the adjusted net worth and value of in-force business.
"expense ratio"	the ratio of operating expenses (including handling charges and commissions), net of reinsurance commission income, to net premiums earned.
"excess of loss reinsurance"	a type of reinsurance that covers specified losses incurred by the reinsured in excess of a stated amount (the excess) up to a higher amount.
"expected loss ratio method"	a method for assessing incurred but not reported reserves based on earned premiums, expected loss ratio and determined claim amount.
"facultative reinsurance"	a type of reinsurance arrangement under which a separate contract is negotiated between cedant and reinsurer in respect of each original insurance (or, in some cases, reinsurance) contract to be reinsured. Facultative reinsurance is typically purchased by ceding companies for risks not covered by their reinsurance treaties, for amount in excess of the sum insured of the reinsurance treaties and for unusual and complex risks.
"following reinsurer"	a reinsurer who authorises participation based on lead reinsurer's quoted terms and conditions.

"frequency-severity method"	a method used by actuaries in projecting claims by multiplying the estimated ultimate number of claims by the estimated ultimate severity.
"gross written premiums" or "GWPs"	all premiums for business underwritten by reinsurance companies and insurance companies for a given period, after taking into account the significant insurance risk test and unbundling of hybrid contracts as required by Interpretation No. 2.
"incurred but not reported reserves" or "IBNR reserves"	reserves for insurance incidents incurred and claims which have not been reported to primary insurance companies or reinsurance companies, or reserves provided for insufficient claim reserves in respect of incurred and reported claims.
"insurance density"	premiums per capita, calculated based on the resident population in a country or region.
"insurance penetration"	premiums as a percentage of GDP.
"lead reinsurer"	the reinsurer that sets the terms, conditions, and premium rates with the cedants.
"long-tail"	a type of insurance where claims may be made many years after the period of the insurance has expired.
"loss adjustment expense"	the expenses incurred in handling and settling claims, such as settlement expenses, legal costs, claims investigation cost and claim adjustor remuneration.
"loss adjustment expense reserves"	the reserves for claims settlement expenses of associated insurance incidents.
"loss ratio"	the ratio of claims incurred to net premiums earned.
"Market Share in terms of Premiums Ceded"	market share calculated using reinsurance premium income of a reinsurance company from a certain market as the numerator and the aggregate premiums ceded from primary insurance companies of the same market as the denominator.
"modified co-insurance"	a type of proportional reinsurance in which the ceding company maintains the entire reserve for each policy.
"Monte Carlo simulation"	a computation method based on probability and statistical theory under which the problem sought to be resolved is linked to a certain probability model, with a statistical simulation or sampling generated by computer to obtain an approximate solution for resolving the problem.

"morbidity"	incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and valuation for liabilities of health insurance.
"mortality"	death rate, varying by such parameters as age, gender and health, used in pricing and valuation for life and annuity products and long-term health insurance.
"mortality table"	the set of life industry statistical tables reflecting the experienced general trend of survival and death rates of the population. "China Life Insurance Mortality Table (2000-2003)" is the second mortality table in the PRC and the third mortality table in the PRC is under construction as at the Latest Practicable Date.
"negotiated deposits"	a type of RMB deposit product offered by commercial banks according to requirements targeted at some special nature funds, such as insurance funds, social security funds and pension funds, where the deposit term, interest rate, interest settlement and payment methods and default handling are negotiated and agreed by both parties.
"net premiums earned"	net written premiums less the change in net unearned premium reserves during the same period.
"net written premiums"	gross written premiums for a given period less premiums retroceded to retrocessionaires and premiums ceded to reinsurers during such period.
"non-proportional reinsurance"	a type of reinsurance in which the liabilities of both parties to the reinsurance arrangement are determined based on losses. Only when the losses incurred by the ceding company exceed a pre-agreed amount or certain standards, the reinsurer is liable for all or a specified portion of the excess loss.
"Original Premium Income"	gross written premiums from primary insurance policies.
"PML"	Probable Maximum Loss, the maximum loss that could result from a single risk or event, such as earthquake, typhoon or fire.
"professional insurance agency"	an intermediary which is established in accordance with relevant PRC laws and regulations and engages in insurance distribution business within the scope authorised by the insurance companies it represents. Professional insurance agency may sell insurance policies on behalf of multiple insurance companies only after obtaining approval from the CIRC.

"profit commission"	a commission that is payable by a reinsurer to a ceding company according to a pre-determined formula as an incentive and reward in respect of a profitable reinsurance treaty.
"proportional reinsurance"	a type of reinsurance in which the retention of the cedant and the liability of the reinsurer are determined based on the insured amount. Specifically, the cedant and the reinsurer share the premiums as well as the losses based on a certain percentage of the sum insured.
"quantile method"	a method to define a risk margin above best estimate liabilities in terms of a confidence level. It defines a risk margin as the difference between the stated quantile of the applicable probability distribution and the mean of that distribution.
"quota share"	a type of reinsurance whereby the reinsured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured account.
"RAROC"	risk adjusted return on capital, an indicator used to measure the corresponding return of undertaking risks.
"REAPS"	Reinsurance Enterprise Analysis and Pricing System, a core analysis system developed by China Re Group, which is an integrated system covering major analytical functions including, among others, reinsurance pricing, portfolio management and retrocession analysis.
"RORAC"	return on risk adjusted capital, an indicator for setting risk performance target or appraising adjusted risk performance of financial institutions.
"reinsurance premium income"	gross written premiums from reinsurance contracts.
"reserves"	liability established to provide for all future insurance or reinsurance obligations, including necessary expenses.
"residual margin"	the margin recognised for not recognising Day 1 gain, which will be amortised over the life of an insurance or reinsurance contract.

"retention"	the amount of any loss or combination of losses that would otherwise be payable under an insurance or reinsurance contract, which the insured or reinsured must bear itself before the insurer or reinsurer becomes liable to make any payment under the contract.
"retrocession"	reinsurance in which a reinsurer cedes its reinsurance business to another reinsurance company or insurance company.
"retrocession ratio"	the ratio of premiums retroceded to retrocessionaires to reinsurance premium income.
"retrocessionaire"	the reinsurer that accepts the retrocession business.
"risk margin"	a part of reserves accrued to compensate for the uncertainty of future cash flow.
"sidecar"	a special purpose reinsurance company established by capital contribution from investors in the capital market to provide additional underwriting capacity to the original promoter company through a partially guaranteed proportional reinsurance contract.
"simple loss ratio method"	the method for determining reserves by the loss ratio.
"sliding scale commission"	a ceding commission that varies with the loss ratio under the reinsurance contract.
"solvency"	the ability of an insurer or reinsurer to perform its obligations of payments and claims to policyholders.
"solvency margin" or "solvency margin ratio"	a measure of an insurance or reinsurance company's solvency, which is the ratio of the actual capital of an insurer or reinsurer to its minimum required capital.
"special purpose syndicate"	a syndicate set up solely to underwrite a quota share reinsurance of another syndicate's business for a year of account.
"stamp capacity"	the volume of business measured in gross written premiums net of acquisition costs underwritten through syndicates at Lloyd's.
"stress test" or "stress testing"	a test where the variable being tested is placed under specific market conditions so as to assess the performance of such variable under such extreme market conditions and to examine whether it can withstand sudden changes in the market.

"survival benefit"	the insurance amount agreed in the policy to be paid by the insurance company when the insured still survives upon the certain year specified in the insurance policy.
"syndicate"	a member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent or a substitute agent to which a syndicate number is assigned.
"total written premiums" or "TWPs"	all premiums from business underwritten by reinsurance companies and insurance companies for a given period, without taking into account significant insurance risk test and any unbundling of hybrid contracts as required by Interpretation No. 2.
"treaty reinsurance"	a type of reinsurance arrangement whereby the cedant seeks reinsurance for a certain type of insurance or reinsurance, or specific risks within a certain period of time. The cedant enters into treaty reinsurance contracts in advance with the reinsurer, which set forth their rights and obligations, including type of treaty contract, scope of business, treaty limit, account settlement and exclusions from reinsurance coverage.
"underwriting"	the process of examining and classifying insurance risks, in order to decide whether to accept such risks and the conditions on which the risks should be accepted.
"unearned premium method"	a method to compute the unexpired liability reserves by multiplying gross written premiums (after deduction of first day expenses) by the unexpired ratio, in which first day expenses refer to the margin cost incurred upon signing of the insurance policy.
"unearned premium reserves"	liabilities established for P&C, accident and short-term life and health insurance contracts to reflect the portion of premiums written relating to the unexpired periods of coverage of insurance or reinsurance contracts.
"value of in-force business"	the present value on the valuation date of expected future after-tax statutory profit of the in-force business on the valuation date, less cost of capital of in-force business.
"value of one year's new business"	the present value on policy effective date of expected future after-tax statutory profit of new business acquired within one year prior to the valuation date, less the cost of capital of such business.

"YRT"	Yearly Renewable Term, a type of proportional reinsurance in which a ceding company purchases an amount of reinsurance coverage that is equal to the net amount at risk on the reinsured portion of the policy for one-year term rate.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in H Shares. Our business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks. The market price of H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, please refer to "Supervision and Regulation," "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of Articles of Association." Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us.

RISKS RELATING TO OUR BUSINESS

Our business, results of operations, financial condition and prospects may be materially and adversely affected if we are unable to implement our growth strategy successfully.

We seek to expand our business, including seeking potential expansion into new geographic regions, new business lines and new distribution channels, while remaining focused on improving and growing our existing business. Our efforts in expanding our business, as well as our efforts in improving and growing our existing business, have placed and will continue to place significant demands on our managerial, operational and capital resources. The expansion of our business activities, combined with our efforts in improving and growing our existing business, also poses various challenges to us, including but not limited to:

- meeting the demand of an increased capital base and higher requirements for cost controls to meet the minimum solvency margin ratio requirements stipulated by the CIRC and other capital needs;
- strengthening and expanding our risk management capabilities and information technology systems to effectively manage risks associated with existing and new lines of reinsurance and insurance products and services and increased marketing and sales activities;
- developing adequate underwriting and claims settlement capabilities;
- recruiting, training and retaining management, technical personnel, sales staff and underwriting and claims settlement staff with sufficient experience and knowledge;
- managing our growing insurance assets;
- developing new distribution channels;
- adjusting our organisational structure; and
- maintaining and enhancing our brand and reputation.

As part of our overall strategy, we may develop new business lines, products and distribution channels, undertake investments and acquire certain businesses, assets and technologies, any of which may not be successful. Meanwhile, there is no assurance that we will successfully implement our other strategic initiatives, or achieve our anticipated objectives, due to various reasons (such as relevant policy incentives, or cooperation with third parties, falling short of our expectations). These business initiatives, investments and acquisitions as well as the implementation of our other strategic initiatives could require our management to develop expertise in new areas, manage new business relationships and attract new types of clients, which may divert their attention and resources, and could have a material adverse effect on our ability to manage our business. These business initiatives, investments and acquisitions as well as the implementation of our other strategic initiatives may also expose us to potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing business and technologies, the potential loss of, or harm to, relationships with employees and clients, as well as other unforeseen or hidden liabilities. We may not be able to recruit, effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of our business. In addition, we may not be able to adjust our business composition or organisational structure in a timely manner to respond to the expansion of our business. The expansion of our business may also put pressure on our efforts to centralise our management effectively and develop our information technology systems.

If we are unable to implement our growth strategy successfully, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.

Our P&C reinsurance, life and health reinsurance and primary P&C insurance businesses expose us to risks of liabilities for claim payments relating to catastrophic events. One or more catastrophic events may cause unexpected large losses and could have a material adverse effect on the results of our operations, financial condition or cash flows. Catastrophes can be caused by various natural hazards, including earthquakes, typhoons, floods, draught, windstorms, hailstorms and severe weather. Catastrophes can also be man-made, such as industrial or engineering accidents, fires, explosion and terrorist attacks.

The extent of our losses from catastrophic events is a function of their frequency and severity, and the frequency and severity of catastrophic events covered by our reinsurance and insurance businesses are inherently unpredictable. We have experienced, and will likely in the future experience, losses related to catastrophic events covered by our reinsurance and insurance businesses that could materially reduce our net income. For instance, natural disasters such as Typhoon Fitow and floods in northeast China resulted in large sums of claims incurred and claims payments by us in 2013. Furthermore, we expect to make substantial claims payments in our reinsurance and insurance businesses as a result of the 2015 Tianjin Explosions. Please refer to the section headed "Summary—Recent Developments and No Material Adverse Changes—2015 Tianjin Explosions" for additional information. Based on information available to us as at the Latest Practicable Date, we expect that our aggregate pre-tax losses arising from the 2015 Tianjin Explosions, net of estimated recoveries from reinsurance and retrocession (including excess of loss coverage) and estimated sliding scale commission adjustments, could range from approximately RMB900 million to approximately

RMB1,100 million. Estimating losses following any major catastrophe is inherently uncertain and is made more challenging in this case by such factors as the ongoing investigation and damage assessment by governmental authorities, insurers and reinsurers, current restrictions on accessing portions of the affected area, the extent and nature of damage sustained in the affected area, delays in claims reporting, the application and interpretation of, and potential adjustments under, the terms and conditions of relevant insurance policies and reinsurance and retrocession contracts, and reinsurance and retrocession collectability. In addition, estimating losses incurred in our P&C reinsurance business involves significant uncertainties as most of our P&C reinsurance business has historically been conducted in the form of treaty reinsurance, where information about specific underlying insurance policies may not be available to us until claims are reported to us by a cedant, which may not occur until some time after the occurrence of a catastrophe. As a result, our current estimates of potential losses are preliminary and subject to change based on new or revised data available to us, and we cannot assure you that our ultimate losses arising from the 2015 Tianjin Explosions will not vary materially from our current estimates or exceed any reserves established by us in connection therewith. To the extent that our actual losses significantly exceed our current estimate or exceed any reserves established by us in connection therewith, our results of operations and financial condition could be materially and adversely affected.

In addition, in recent years, factors such as global climate change and greenhouse effect have added to the unpredictability and frequency of natural disasters in the PRC and other parts of the world, and have created additional uncertainties as to future trends and exposures. It is possible that both the frequency and the severity of natural disasters may increase in the future. In addition, the rapid economic growth in the PRC has led to the accumulation of social wealth and the growth of fixed assets as well as continuing urbanisation, which may result in more severe casualties and property losses should natural disasters occur in the future. As we conduct substantially all of our reinsurance and insurance businesses in the PRC, we have particularly high exposures to catastrophic events occurring in or affecting the PRC. Furthermore, as we engage in reinsurance businesses in various international markets outside the PRC, we are also exposed to the risk of catastrophic events in various regions of the world.

Due to a variety of limitations, our assessment of catastrophe risks may be inadequate. Currently, information provided by cedants suffers from a time lag, lack of completeness and lack of transparency, which has resulted in substantial challenges for us in monitoring the accumulation of catastrophe risks, particularly as related to a single subject. There may also exist uncertainties, limitations or technical defects associated with the tools, software and models used by us to analyse, monitor and manage catastrophe risks, or in connection with their applications. Furthermore, our assessment of catastrophe risks is limited by such factors as inadequacies in the qualifications, experience and judgment of our staff. In addition, due to technical and other limitations, our existing catastrophe models do not cover all of the geographic regions nor all of the perils in or other factors affecting our businesses. As a result, we lack effective measures to analyse and monitor catastrophe risks with respect to those geographic regions not covered by our models and those perils or other factors affecting our businesses not subject to model analysis.

In addition, depending on the nature of the loss, the speed with which claims are made and the terms of the policies affected, we may be required to make large claims payments upon short notice. We may be forced to fund these obligations by liquidating investments unexpectedly and in unfavourable market conditions, or raising funds with unfavourable terms, both of which could adversely affect our results of operations. In addition, as a catastrophe is often followed by a shortage of supplies, costs of supplies will likely increase and our liabilities for claims payments may also increase, which, in turn, will have an adverse impact on our results of operations. Catastrophes may result in secondary disasters, which may be events insured by us and may increase the uncertainty of our loss. Catastrophes could also result in losses in our investment portfolios, due to, among others, the failure of our counterparties to perform their obligations or significant volatility or disruption in the financial markets, and could in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Although we establish corresponding reserves after assessing potential losses relating to catastrophes covered by our reinsurance or insurance businesses that have taken place, we cannot assure you that such reserves would be sufficient to pay for all related claims. In addition, although we enter into reinsurance or retrocession arrangements to reduce our catastrophe loss exposure, due to limitations in the underwriting capacity and terms and conditions of the reinsurance or retrocession markets, as well as inherent difficulties in assessing our exposure to catastrophes, such reinsurance or retrocession may not be sufficient to adequately cover our losses. Our efforts to protect ourselves against catastrophic losses, such as the use of selective underwriting practices, the purchases of reinsurance or retrocession and the monitoring of risk accumulations (including by geographic area), may not prevent such occurrences from adversely affecting our profitability or financial condition.

Differences between actual experience and the assumptions used in pricing, underwriting and reserving for our reinsurance and insurance products may materially and adversely affect our business, results of operations, financial condition and prospects.

Reinsurance and insurance businesses, by their nature, undertake risks. It is not possible to predict with certainty in operations whether a single risk or a portfolio of risks will result in a loss, or the timing and severity of any loss that does occur. Our success largely depends upon our ability to accurately assess the risks associated with the reinsurance and insurance products that we underwrite.

We use various assumptions in the pricing and underwriting of reinsurance and insurance products, such as the frequency and severity of claims and claims payments, investment returns, mortality and morbidity rates, and administrative expenses. These assumptions are inherently uncertain. Differences between actual experience and the assumptions used in pricing and underwriting our reinsurance and insurance products may materially and adversely affect our business, results of operations, financial condition and prospects.

We establish reserves to cover our estimated liability for the payment of losses and loss adjustment expenses incurred with respect to the contracts that we write. We price our P&C reinsurance and insurance products based on our estimates of probability of loss and related costs and the judgment of our management, and establish claim reserves in accordance with industry practice and applicable accounting and regulatory requirements. Claim reserves represent estimates of costs of claims incurred but not settled, whether or not reported, as at the balance sheet date, and include reserves allocated for loss adjustment expenses that may be incurred for future claims. We price and establish reserves for our life and health reinsurance products based on many assumptions and estimates, including investment returns, mortality rates, morbidity rates, lapse and surrender rates and expense ratios, among others. These reserves are estimates involving actuarial and statistical projections at a given time to reflect our expectation of the costs of the ultimate settlement and administration of claims. Although we use actuarial and computer models, as well as historical reinsurance and insurance industry loss statistics, we rely on management's experience and judgment to assist in the establishment of appropriate claim reserves and other reserves. Due to the many assumptions and estimates involved in establishing reserves, such process contains uncertainties. Our estimates and judgments are based on numerous factors and may be revised as additional experience and other data become available, as new or improved methodologies are developed, as loss trends and claims inflation impact future payments, or as current laws or their interpretations change.

Estimates of losses are based on, among other things, a review of potential exposure under the contracts, information reported by and discussions with the insured, the cedants or other counterparties and our estimate of losses related to those contracts, and are subject to change as more information is reported and becomes available. Losses for casualty and liability lines often take a long time to be reported and can frequently be impacted by lengthy, unpredictable litigation and by the inflation of loss costs over time. Changes in the level of inflation also result in increased uncertainties in our estimation of loss reserves, particularly for any "long-tail" lines of business. As a consequence, actual losses and loss adjustment expenses incurred may deviate substantially from the reserve estimates reflected in our financial statements.

In addition, in our P&C reinsurance and life and health reinsurance businesses we, like other reinsurers, do not separately evaluate each of the individual risks assumed under reinsurance treaties, which represent the form of reinsurance in which most of our P&C reinsurance and life and health reinsurance businesses have historically been conducted, and, as a result, we are largely dependent on the original underwriting decisions made by cedants. We are subject to the risk that our cedants may not have adequately evaluated the risks to be reinsured and that the premiums ceded to us may not adequately compensate us for the risks we assume.

Furthermore, we have exposures to some business lines in respect of which accurate reserving is known to be particularly difficult because of the "long-tail" nature of these businesses (such as liability insurance and certain of our legacy international business involving asbestos and environmental pollution that accounts for a very small portion of our overall business), or because of the special risk involved in these businesses (such as our nuclear insurance business arising from our participation in CNIP). Due to the lack of sufficient historical experience data, with respect to our "long-tail" lines of business, we generally determine our reserves using the case-by-case loss estimating method, while, with respect to our nuclear insurance business, we generally determine our reserves using the simple loss ratio method.

If ultimate losses and loss expenses exceed the reserves currently established, we will be required to increase our reserves in the period in which we identify the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in the reserves in our financial statements. Variations between our reserve estimates and actual emergence of losses could be material and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our investment assets may experience sharp declines in their returns or suffer significant losses, which would have a material adverse effect on our results of operations and financial condition.

The value of our investment assets and our investment returns are affected by such factors as political, economic, social and market conditions as well as the design and execution of our investment strategies. Any adverse change in political, economic, social and market conditions may result in declines in our investment returns and cause significant losses in our investment assets, which would in turn materially and adversely affect our results of operations and financial condition.

Volatility in stock markets in the PRC and elsewhere may affect our investment assets. A decline in stock markets may lead to a reduction of unrealised gains in such assets or result in unrealised or realised losses, impairments and a reduction of realised gains upon the disposal of such assets, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects. As at 30 June 2015, 18.3% of our total investment assets, or RMB26,554 million, were invested in equity and investment funds, with 6.8% of our total investment assets, or RMB9,880 million, invested in stocks listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange (excluding our investments in shares of China Everbright Bank referred to below and accounted for as investments in associates), and we cannot assure you that we will not suffer significant impairments or other losses on such investments. Stock markets are subject to volatility for a variety of reasons, including political, economic and social conditions, among others. These and other factors may from time to time result in significant price volatility, unexpected losses and lack of liquidity in stock markets. In particular, the PRC stock markets have experienced substantial fluctuations in the prices and trading volumes of listed securities, including significant price declines, from time to time in recent years. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at 1,706.70 points on 4 November 2008, representing a 72.0% decline from a closing of 6,092.06 points on 16 October 2007. More recently, since mid-June 2015, the PRC stock markets have experienced significant volatilities, including a number of substantial declines, such as declines of 32.1%, 12.1% and 26.7% in the closing level of the SSE Composite Index between 12 June 2015 and 8 July 2015, between 23 July 2015 and 3 August 2015 and between 17 August 2015 and 26 August 2015, respectively. These recent volatilities in the PRC stock markets have led to fluctuations in the value of our equity investment assets, resulting in, among other things, unrealized losses in our equity investment assets classified as available-for-sale financial assets. If these market volatilities continue, the value of our equity investment assets may experience further and significant fluctuations, which, in turn, could adversely affect our business, results of operations or financial condition. A significant decrease in the prices of the listed stocks that we have invested in, or that our portfolio investment funds have invested in, could materially reduce the value of our investment portfolio and have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, as at the Latest Practicable Date, we owned an aggregate of 4.28% of the outstanding shares of China Everbright Bank listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (with a total investment of RMB7,990 million (based on book value) as at 30 June 2015), and we derived 28.1% and 9.4% of the aggregate of our investment income and share of profit of associates for the year ended 31 December 2014 and the six months ended 30 June 2015, respectively, from our investment in these shares. As a result, any material adverse change affecting China Everbright Bank or the PRC banking industry may have a material adverse effect on our business, results of operations and financial condition.

Volatility in bond markets in the PRC and elsewhere may also affect our investment assets. As at 30 June 2015, 33.1% of our total investment assets were invested in bonds, of which 0.1% of our total investment assets were government bonds, 5.0% of our total investment assets were bonds issued by PRC domestic financial institutions, 21.6% of our total investment assets were bonds issued by companies that are not financial institutions in the PRC market and 6.4% of our total investment assets were subordinated bonds issued by qualified commercial banks and qualified insurance companies through non-public offerings. Debt securities markets are also subject to volatility. For example, the ChinaBond Aggregate Index published by China Central Depositary & Clearing Co., Ltd., a major debt securities market index in the PRC, closed at 138.92 points on 20 November 2013, representing a 5.0% decline from a closing of 146.19 points on 28 May 2013. Although the ChinaBond Aggregate Index increased by 14.5% between 1 January 2012 and 30 June 2015, there were also significant price declines from time to time during this period, including daily declines of over 0.2% on 25 occasions. A significant decline in debt securities markets in the PRC or elsewhere could negatively affect the value of the debt securities held by us and have a material adverse effect on our business, results of operations, financial condition and prospects.

To the extent we explore new investment channels, such as alternative investment and overseas investment channels, we may face new and heightened risks due in part to our limited experience with these new investment channels and new markets. For example, in recent years, our investments classified as loans and receivables have grown substantially, particularly investments in such financial products as debt investment schemes, collective trust plans and plans backed by project assets. The risk and liquidity profiles of these financial products and alternative asset classes, such as real estate, unguaranteed bonds and debt investments in infrastructure projects, are significantly different from those of the asset classes that we traditionally invest in, and investments in these and other new asset classes may increase the overall risk exposures of our investment portfolio. In addition, we recently established China Re AMC HK, an asset management subsidiary, in Hong Kong and seek to explore overseas investment channels. Overseas investments may expose us to more international market risks as well as related regulatory, compliance, exchange rate and other risks.

We may suffer losses due to our exposure to credit risk with respect to our investments.

We primarily invest in fixed income products, such as time deposits, government bonds, corporate bonds, finance bonds and subordinated bonds issued by financial institutions. As at 30 June 2015, 75.1% of our total investment assets were invested in fixed income products. We primarily arrange our time deposits with state-owned commercial banks and joint-stock commercial banks with nationwide operations in the PRC. We also invest in government bonds, financial bonds, enterprise (corporate) bonds and subordinated bonds. We are exposed to credit risks in relation to our investments, including a decrease in the fair value of securities we own, a downgrade in credit ratings of securities we own and the credit risks of counterparties in our investment activities. The fair value of our exchange-traded bond investments is assessed with reference to the quoted market prices at the close of business on each balance sheet date. The fair value of our bond investments that are traded in interbank markets is determined using the estimated market prices published by China Central Depositary & Clearing Co., Ltd. While the majority of the corporate bonds we own carry credit ratings not lower than "AA" as rated by CIRC-recognised domestic rating agencies, these domestic rating agencies may not use the same methods or have the same analytical capabilities as internationally-recognised rating agencies, such as Standard and Poor's, Moody's and Fitch.

Consequently, domestic credit ratings, even with the same rating symbols, may not reflect the same creditworthiness as a rating by an internationally-recognised rating agency, and we may be subject to greater credit risks with respect to our investments in debt securities than we believe, which could result in a decrease in the fair value of our debt securities, giving rise to impairment losses.

Although we seek to minimise the risks associated with investments through diversification, improving our credit analysis capabilities and monitoring current interest rate trends, we cannot assure you that we are able to identify and mitigate credit risks successfully. While in certain cases we are permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral we are entitled to receive and the value of the pledged assets. In addition, we may not be able to sell, or may have to sell at a lower price, the relevant bonds held by us if the liquidity of these bonds deteriorates as a result of a decline in their ratings. As a result, the losses in fair value or realised losses we could incur on investments we hold as well as a significant downgrade in the credit ratings of the debt securities owned by us could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, the counterparties in our investments, including issuers of securities we hold, banks that hold our deposits, debtors and investees of private equity funds, may default on their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. In particular, adverse developments in the PRC economy, such as the economic slowdown in the PRC in recent periods, any turmoil in international or domestic financial markets and other adverse developments may exacerbate the credit risk we face as corporate and other defaults are more likely when businesses experience operational or financial difficulties. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances.

We have limited experience investing in certain asset classes that have only recently been permitted by the CIRC and may lack experience investing in other asset classes that may be permitted in the future.

The CIRC has in recent years significantly expanded the scope of permitted investments for PRC insurance companies. We are now permitted to invest our insurance funds in areas such as infrastructure debt investment schemes, unsecured bonds, shares of unlisted companies, real estate, bank financing products, trust plans, financial derivatives and overseas investments, and we may be permitted by the CIRC to invest in additional new asset classes in the future. When making investments in these asset classes, we may face new and heightened risks due in part to our limited experience in investing in such asset classes. The risk and liquidity profiles of these new asset classes are significantly different from those of the asset classes that we traditionally invest in, and investments in these asset classes may increase the overall risk exposure of our investment portfolio. Our lack of investment experience in certain new asset classes could reduce our investment returns and cause our investment returns to fall below expectation, which could in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Our risk management and internal control systems, as well as our capabilities in using risk management tools to identify or mitigate risks to which we are exposed, may not be adequate or effective.

We have been devoted to establishing risk management and internal control systems consisting of an organisational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we seek to improve these systems over time. Please refer to the section headed "Business — Risk Management." However, due to the inherent limitations in the design and implementation of such systems, including the internal control environment, risk identification and evaluation, the effectiveness of risk controls and information communication, our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or against all types of risks. Many of our methods for managing risk exposure are based upon observed historical market behaviour or statistics. These methods may not accurately predict future risk exposure, which can be significantly greater than what our historical measures may indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. Such information may not be accurate, complete or properly evaluated. Moreover, the historical data and experience that we rely on may not be up to date as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future. In addition, reinsurance and insurance companies typically utilise various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate risk. Please refer to the section headed "Supervision and Regulation." Therefore, the risk management tools available to us (such as derivatives and hedging instruments) are limited, which in turn limits our risk management capabilities and effectiveness. As a result, our risk management methods and techniques may not be effective, and we may be unable to take timely and appropriate measures to manage our risks.

We are in the business of being paid to accept certain risks and provide relevant protection. Our employees and agents who conduct our business, including management, underwriting staff, sales and product development staff, sales agents and investment professionals, among others, do so in part by making decisions that expose us to risks. These decisions include setting underwriting guidelines and standards, product design and pricing, investment decisions and pursuit of business opportunities, among others. In addition, our employees and agents may make decisions beyond their scope of authority, thereby exposing us to excessive risks. Although we endeavour, in the design and implementation of our compensation and incentive plans and internal control systems, to avoid giving our employees and agents incentives to take excessive risks, they may make decisions that expose us to excessive risks regardless of the structure of our compensation and incentive plans and internal control systems. Similarly, although we employ controls and procedures designed to monitor business decisions of our employees and agents and prevent them from taking excessive risks, due to the large size of our operations and the large number of our branches, we cannot assure you that these controls and procedures may always be effective. If our employees and agents take excessive risks or make intentional or unintentional mistakes, those risks or mistakes could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, we may not always be able to detect or prevent fraud or other misconduct by our employees, agents, clients or other third parties on a timely basis. Please refer to "Risk Factors— Risks Relating to Our Business — We may not always be able to detect or prevent fraud, bribery or other misconduct by our branches, employees, agents, clients or other third parties on a timely basis."

As the regulatory framework of the PRC insurance industry continues to liberalise and evolve, we are likely to offer a broader and more diversified range of reinsurance and insurance products and invest in a significantly wider range of assets in the future. The diversification of our reinsurance and insurance product offerings and investments may expose us to a variety of new risks and will require us to continue to enhance our risk management and internal control capabilities. Our failure to timely adapt our risk management and internal control policies and procedures to our developing business could have a material adverse effect on our business, results of operations, financial condition and prospects.

There may exist uncertainties, limitations or technical defects associated with the tools, software and models used by us to analyse, monitor and manage risks or in connection with their applications.

We independently develop, or are licensed by third parties to use, some analytic tools, software and models to assist us in pricing reinsurance and insurance products, managing risk capital and effecting risk management (including catastrophe risk management), such as analysing fluctuations in operating results, identifying and testing risk exposures and warning against risk accumulation. However, there may exist some uncertainties, limitations or technical defects associated with these tools, software and models. Moreover, we may not have sufficient data or other inputs required by these tools, software and models, or the data and inputs used by us may not fully reflect the relevant risk exposure under analysis. In addition, these tools, software and models may not cover all of the geographic regions or all of the perils in our businesses. We may also lack the relevant experience or err in our application of these tools, software and models. Therefore, we may not be able to apply these tools, software and models accurately to analyse a variety of factors that have a potential impact on our overall risks.

If we fail to analyse, monitor and manage our risks accurately, or if we fail to take appropriate measures in a timely manner to manage our risks effectively due to the underestimation of our risks by the tools, software and models that we use, our business, results of operations, financial condition and prospects could be materially and adversely affected.

We may encounter difficulties in effectively implementing centralised management and supervision of our subsidiaries and branches, as well as consistent application of our strategies and policies throughout our organisation.

Our reinsurance, insurance, asset management and other businesses are primarily conducted through our subsidiaries and our branches. We may encounter difficulties in ensuring that our strategies and policies are implemented effectively and consistently within each subsidiary and branch entity, and we may not be able to effectively supervise and monitor the activities of our branches or sub-branches. In addition, due to the number of our subsidiaries and branch entities, their geographic distribution and limitations in our information systems and other factors, we have not always been able to effectively detect or prevent on a timely basis operational or management problems, including fraud, bribery and other misconduct, at these subsidiaries and branch entities, or ensure that information available to and received by our management is accurate, timely or sufficient for our management to manage risks and respond to market and other changes in our operating environment. If we are unable to effectively implement our centralised management and supervision of our subsidiaries and branch entities or apply our strategies and policies consistently throughout our organisation, our business, results of operations, financial condition and prospects could be materially and adversely affected and our reputation could suffer. Please refer to the section headed "Business — Legal and Regulatory Proceedings — Administrative Proceedings and Penalties— Criminal Litigations" for further details.

We are subject to numerous additional risks and uncertainties as we expand in international markets.

Apart from our operations in the PRC, we also engage in reinsurance business in international markets. Currently our international P&C reinsurance business cover more than 60 countries and regions in Asia, Europe, North America and elsewhere. Different markets vary in political and economic conditions, natural environment and catastrophe risks, rules and regulations, and reinsurance products and applicable terms and conditions.

There are increased underwriting risks associated with international expansion and the introduction of new products in connection with such expansion, as the regulatory, geographic, natural risk, legal environment, demographic, business, economic and other characteristics of non-PRC jurisdictions present challenges different from those in the PRC in which we have historically conducted our businesses. With respect to political and economic conditions, unpredictable events, such as political turmoil, civil unrest, terrorist activities and economic crises that may occur unexpectedly in some countries or regions, may result in losses in our international business and impair our future business development. Each country or region is exposed to different catastrophe risks as their natural environments differ. For instance, in Asia, countries such as Japan, South Korea and those in Southeast Asia are more prone to typhoons whereas countries such as Japan, Israel and Turkey have higher earthquake risks. Winter storms and summer floods in Europe and earthquakes in southern Europe are natural disasters that occur frequently, while Florida and the southeast coast of the United States are threatened by hurricanes and California has higher earthquake risks. The occurrence of any catastrophe may result in significant losses in our international business. Rules and regulations on reinsurance and insurance are different in each market or even within the same market. Changes in rules and regulations would affect the form of reinsurance and the premium volume ceded by cedants, which in turn may affect our premium income and underwriting performance in our international business. As the reinsurance practices and risk characteristics of each market vary, there may be significant differences in reinsurance products and applicable terms and conditions in each market. Our failure to understand fully the characteristics of reinsurance products and the nature of applicable terms and conditions in each relevant market may result in losses in our international business. Some new products may also carry "long-tail" risks, which may result in increased volatility in our profitability.

As a result, we may suffer substantial losses in our international business unless we have a solid understanding of the political and economic conditions, natural environment and catastrophe risks, rules and regulations and reinsurance products and applicable terms and conditions in each relevant country and region, and underwrite our business with proper terms and conditions while controlling the accumulation of catastrophe risks.

We seek to expand our existing business and other related business in international markets. Therefore, we may face increasing operational, regulatory, compliance, reputational and exchange rate risks as well as numerous other uncertainties relating to international businesses and international markets. Any of local characteristics, requirements, activities or needs could increase the legal and compliance and other costs and expenses that we incur in a specific jurisdiction without any corresponding increase in revenues and income from operating in that jurisdiction. In addition, our international business is subject to regulation by various countries and regions in addition to PRC regulatory authorities, and there may be restrictions on our ability to expand internationally due to regulatory constraints and a variety of other factors. Our failure to comply with any of the relevant laws and regulations to which we are subject may result in fines, asset freezing, seizures, restrictions on our business operations or expansion, or revocation of our business licenses. The expansion of our international business may also divert resources from our existing business and technical expertise and put pressure on our existing systems (such as our internal control systems and information technology systems). Therefore, there can be no assurance that our international expansion will not result in reputational harm, significant losses, operational failures or regulatory fines or sanctions.

Due to concentration in our reinsurance businesses, loss of business provided by one or more cedants could reduce our premium volume.

We conduct our reinsurance businesses primarily through direct relationships with cedants. The overall PRC insurance market is concentrated. In 2014, 85.8% of the GWPs from our domestic P&C reinsurance business were generated through the top five cedants in that business. In addition, a significant portion of the cross-border RMB business and the domestic protection-type business in our life and health reinsurance business was generated through a small number of cedants. A significant reduction in the business produced by one or more of these cedants due to changes in their ceding strategies or otherwise could reduce our premium volume.

If actual renewals of our existing contracts with cedants do not meet expectations, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our reinsurance contracts are generally written for a one-year term. In our financial forecasting, we assume that the contracts of the current year will be renewed with the same amount of premium income. However, the price of reinsurance contracts fluctuates along with the reinsurance and insurance cycles. Therefore, if actual renewals of our existing contracts with cedants do not meet expectations due to changes in pricing conditions or otherwise, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Reinsurance or retrocession may not provide the coverage we intended to obtain or may not be available on desired terms.

As part of our risk management, we may enter into reinsurance arrangements in our reinsurance and insurance businesses (also known as "retrocession" in the case of our reinsurance businesses). From time to time, market conditions may limit, and in some cases may prevent, insurers and reinsurers from obtaining reinsurance coverage. Accordingly, we may not be able to obtain our desired coverage of reinsurance or retrocession. In addition, even if we are able to obtain such reinsurance or retrocession, we may not be able to negotiate terms and conditions desired by us. This could limit the amount of business we are willing or able to write, or decrease the protection available to us in the case of large loss events.

We are subject to credit and counterparty risk with respect to our reinsurers, retrocessionaires and reinsurance brokers and other institutions.

We are exposed to the risk that counterparties in our reinsurance and insurance operations, including our reinsurers, retrocessionaires and reinsurance brokers and other institutions, do not perform their obligations. These counterparties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances.

When we purchase reinsurance or retrocession protection, we remain primarily liable to our insured or cedant, and hence the insolvency of any of our reinsurers or retrocessionaires, or the inability or reluctance of any of our reinsurers or retrocessionaires to make timely payments to us under the terms and conditions of our reinsurance or retrocession agreements, could have a material adverse effect on us. A large portion of our reinsurance or retrocessional protection is likely to be concentrated with a small number of reinsurers or retrocessionaires. The risk of such concentration of reinsurance or retrocessional coverage may be increased by recent and future consolidation within the industry.

We underwrite and cede a portion of our reinsurance business through independent brokers. We are exposed to credit risk to the extent that one or more of these brokers are unable to fulfil their contractual obligations to us. In accordance with industry practice, we may pay amounts owed under our reinsurance contracts to brokers, and they in turn pay these amounts to the cedants. In some jurisdictions, if the broker fails to make such an onward payment, we might remain liable to the cedant for the deficiency. Conversely, the cedant may pay premiums to the broker, for onward payment to us in respect of reinsurance contracts accepted by us. In certain jurisdictions, these premiums are considered to have been paid to us at the time that payment is made to the broker, and the cedant will no longer be liable to us for those amounts, whether or not we have actually received the premiums. We may not be able to collect all premiums receivable due from any particular broker at any given time.

We have provided certain maritime guarantees to domestic and foreign shipowners' associations or overseas insurers, which amounted to RMB1,606 million, RMB1,913 million, RMB2,006 million and RMB1,772 million as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. As part of these transactions, these counterparties have provided counter-guarantees to us. The insolvency of these counterparties, or the inability or reluctance of these counterparties to perform their obligations under these arrangements, may result in substantial losses to us.

A decline in our ratings may adversely affect our standing with clients and reinsurance brokers and, in turn, our business and results of operations.

Ratings are an important factor in establishing the competitive position of reinsurance and insurance companies. Third-party rating agencies assess and rate the claims paying ability and financial strength of reinsurers and insurers. These ratings are often used to measure a reinsurer or insurer's ability to pay its claims and other obligations and are based upon criteria established by the rating agencies. Ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any securities and should not be relied upon with respect to investing in our shares.

We and our principal underwriting subsidiaries are rated by A.M. Best and/or Standard & Poor's. Our ratings are subject to regular review as rating agencies evaluate us to confirm that we continue to meet their criteria for ratings assigned to us by them. Such rating agencies may revise downward or revoke such ratings at their sole discretion in response to a variety of factors, including capital adequacy, management strategy, operating earnings and risk profile. In addition, from time to time one or more rating agencies may effect changes in their capital models and rating methodologies that could have a negative impact on our ratings. It is also possible that rating agencies may in the future heighten the level of scrutiny they apply when analysing companies in our industries, may increase the frequency and scope of their reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in their models for maintenance of corresponding rating levels. Therefore, we can offer no assurance that our ratings will remain at their current levels. If our ratings were significantly downgraded, our competitive position in the reinsurance and insurance industries may suffer, which could result in a reduction in demand for our products. As ratings are a key factor in establishing the competitive position of reinsurers and insurers, a decline in ratings alone could make reinsurance or insurance provided by us less attractive to clients compared to reinsurance or insurance from competitors with similar or stronger ratings. A decline in ratings, or a potential for such a decline, could also cause the loss of clients who are required by relevant policies or regulations to purchase reinsurance or insurance only from reinsurers or insurers with requisite ratings. It could also adversely affect our standing and relationships with retrocessionaires and reinsurance brokers, thereby negatively impacting our market competitiveness. A downgrade, therefore, could result in a substantial loss of business as insureds, cedants and brokers that place such business move to other insurers and reinsurers with higher ratings.

Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate us to provide collateral or other guarantees in the course of our reinsurance business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. A ratings decline could also have a material adverse impact on our costs of borrowing or ability to access the capital markets, resulting in more severe harm to us.

We may not always be able to detect or prevent fraud, bribery or other misconduct by our branches, employees, agents, clients or other third parties on a timely basis.

Any fraud, sales misrepresentation, money laundering and other misconduct committed by our branches, employees, agents, clients, business partners or other third parties could result in violations of relevant laws and regulations by us and subject us to corresponding regulatory sanctions. We have, in the past, detected fraud or misconduct by our employees, including corruptive practices, the making of fraudulent insurance claims and unauthorised use of our branches' monies, among others. These unlawful activities may occur in the future, which, in some circumstance, may result in legal, including civil and criminal, liabilities on our part. Please refer to "— Regulatory actions, legal proceedings and customer complaints against us could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects." Although such instances of unlawful activities or other misconduct may not result in legal liabilities on our part, they could cause serious reputational or financial harm to us. In particular, in recent years, the State Council and various PRC regulatory authorities, including the CIRC, have intensified their efforts to combat commercial bribery in the PRC. While we have in place and are implementing measures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering, commercial bribery and other misconduct, we may not be able to timely detect or prevent such fraud, sales misrepresentation, money laundering, commercial bribery or other misconduct, which could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are deemed to be in violation of applicable laws and regulations relating to sanctions, our reputation, business, results of operations and financial condition could be adversely affected.

As a reinsurer, insurer and insurance broker with cross-border business activities (including investment activities), we are subject to the regulatory regimes of various countries, including applicable economic and trade sanctions programmes administered by supranational organisations and foreign governments, such as the United Nations, the United States and the European Union. These sanctions are imposed in connection with doing business with, or affecting, certain countries, their citizens or entities, specially designated nationals or other persons or entities that may be doing business with targeted countries, persons or entities.

We have developed and implemented policies, procedures, systems and internal controls that are designed to help mitigate sanctions risks. Under our existing policies, we may not enter into any transaction with any counterparty, or involving any subject matter of insurance, that is located in any sanctioned country on our prohibition list (currently including Cuba, Iran, North Korea, Sudan and Syria and subject to updating from time to time). Please refer to "Business — Risk Management — Management of Principal Risks Exposure — Management of Operational Risk — Sanctions Risk Management." However, due to the complex nature of the risks we underwrite as well as the complex and evolving nature of the sanctions programmes, it may not always be possible for us to avoid all contacts with or involving sanction targets. We believe that our aggregate revenue derived from clients located in the five sanctioned countries referred to above during the Track Record Period was less than 0.005% of our total revenue during the same period.

In addition, the sanctions-related policies we currently have in place were recently adopted in July 2015. Prior to that, we had written policies in place since May 2013 with respect to our reinsurance business and since March 2014 with respect to maritime guarantee activities within our insurance brokerage business, and these 2013 and 2014 policies did not apply to our primary insurance business, our investment activities or the rest of our insurance brokerage business. Prior to July 2015, we had no written sanctions-related compliance policies in place with respect to our primary insurance business, our investment activities or our insurance brokerage business other than maritime guarantee activities, and prior to May 2013 and March 2014 this was also the case for our global reinsurance business and our maritime guarantee activities, respectively. As a result, prior to those respective periods, it is difficult for us to enumerate, or assess the full extent of, our indirect contacts with, and businesses indirectly involving, countries, persons or entities subject to sanctions.

We have not been subject to any sanctions or sanctions-related enforcement in the past. However, if we are deemed to be in violation of applicable laws and regulations relating to sanctions, whether due to ongoing business or business done in the past, or to have engaged in any conduct that is sanctionable, we could be subject to sanctions or governmental actions that could lead to civil or criminal penalties, including fines. In addition, such violations or engaging in such conduct could damage our reputation, and ceding companies, brokers and other intermediaries may decline to continue doing business with us. We may also encounter legal, regulatory or other restrictions on our ability to establish local presence or otherwise conduct business in one or more jurisdictions. All of the foregoing could have a material adverse effect on our reputation, business, results of operations and financial condition.

The success of our operations depends on our ability to attract and retain senior management as well as talented employees and individual insurance agents, and the loss of their services could adversely affect our business and results of operations.

The success of our operations to a large extent depends on the continued service of our senior management and various professionals and specialists, including actuaries, information technology specialists, investment managers and finance professionals, legal professionals, risk management specialists, underwriting and claims settlement personnel and sales staff, as well as our individual insurance agents. As a result of ever-increasing market competition, the market demand and competition for experienced management personnel and insurance professionals and specialists has intensified. Our business and financial condition could suffer if we are unable to retain our senior management, including the senior management and operating management of our Company and our principal subsidiaries including China Re P&C, China Re Life, China Continent Insurance and China Re AMC, or other high-quality personnel, including management in professional departments of business, finance, investment and information technology in our Company and our principal subsidiaries, or cannot adequately and timely replace them upon their departure. Moreover, we may be required to increase substantially the number of such personnel in connection with any future growth plans, and we may face difficulties in doing so due to the intense competition in the PRC reinsurance and insurance industries for such personnel. Our failure to retain or replace talented personnel could materially impair our business development capabilities. Competition for highly-qualified employees and individual insurance agents among reinsurance and/or insurance companies and other business institutions may also require us to increase compensation for employees and commissions for individual insurance agents, which would increase operating costs and reduce our profitability.

Failures of, or inadequacies in, our information technology systems could have a material adverse effect on our business, results of operations and financial condition.

Our business depends heavily on the ability of our information technology systems to timely process a large number of transactions across vast geographic areas and numerous product lines. In particular, this dependence has become more prominent as transaction processes have become increasingly complex and the volume of transactions continues to increase. The proper functioning of our financial controls, accounting, client database, client service and other data processing systems, including those relating to underwriting and claims processing functions, actuarial and risk management, and investment management, together with the communications systems linking our headquarters, branches, sales and service outlets and main information technology centres, is critical to our competitiveness and business performance. Our business activities would be materially disrupted in the event of a partial or complete failure of any of these information technologies or communications systems. These failures could be caused by, among others, hardware failure, software programme errors, computer virus attacks, Internet failure, conversion errors due to system upgrading or system relocation, failure to successfully implement ongoing information technology initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems that may occur at our existing and future facilities. Many of these events are wholly or partially outside of our control. Although we back up our business data regularly (including between our information technology platform in Beijing and that of China Continent Insurance in Shanghai), we do not currently have a designated emergency disaster recovery centre located at a site different from our data centre, and any material disruption to the operation of our information technology systems could have a material adverse effect on our business. In addition, in recent years, incidents affecting information technology systems and their data security, such as computer virus attacks, have occurred frequently around the world. If any similar incident results in a major interruption of the operation of our information technology systems or the loss of our key business data or client data, our reputation, business, results of operations, financial condition and prospects may be materially and adversely affected.

Our modelling, underwriting, information technology and application systems are critical to our business and reputation. Our technology and applications are also an important part of our core competitiveness. Such technology is and will continue to be a very important part of our underwriting process and risk management system. We have also licensed certain systems and data from third parties, including softwares and systems used in the management of our catastrophe risk exposure and the Sophis system used in our asset management business. There is no assurance that we will continue to have access to these or comparable service providers, or that our technology or applications will continue to operate as anticipated by us. In addition, there is no assurance that we would be able to replace these service providers without lengthening our underwriting process or impairing our risk management capabilities. A major defect or failure in our information technology and application systems could result in management distraction, reputational harm, a delay of business or significant financial losses.

We update our information technology systems and introduce new information technology systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the new or upgraded information technology systems may not be able to achieve the projected processing capacity and availability and may also not be able to meet the needs of our business scale and business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any new or upgraded information systems, could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business operations, client service and risk management, among others. This could in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Regulatory actions, legal proceedings and customer complaints against us could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.

We are subject to extensive regulation by PRC and overseas regulatory authorities in each of the markets where we conduct our business, and we may be subject to regulatory or legal proceedings from time to time. Responding to these regulatory or legal proceedings, regardless of their ultimate outcome, is time-consuming and expensive and can divert the time and effort of our senior management. Moreover, our provision for regulatory or legal proceedings may be inadequate. Given the uncertainties and complexity of many of these regulatory or legal proceedings, their outcome generally cannot be predicted with any certainty or accuracy.

We are subject to regular examinations by the CIRC and other PRC governmental authorities, including the PBOC, tax, industry and commerce administration and audit authorities, relating to our compliance with PRC laws and regulations. The regulators may impose penalties and/or sanctions on us for non-compliance. During the Track Record Period and up to the Latest Practicable Date, as a result of violations of PRC laws and regulations, we were subject to penalties imposed by various PRC regulatory authorities (including, without limitation, the CIRC and its local bureaux, the PBOC and its local bureaux, the NDRC and its local counterparts and the tax authorities), including fines totalling approximately RMB19 million. For instance, in 2013, relevant P&C insurance companies in Zhejiang Province, including the Zhejiang Branch of China Continent Insurance, under the coordination of the Insurance Association of Zhejiang Province, violated the relevant provisions of the Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法) by concluding and implementing horizontal price monopoly agreements, including the Zhejiang Motor Insurance Self-Disciplinary Convention, the related implementation rules and the related supplemental agreements, that sought to fix or modify the premium rates and commission rates for commercial motor insurance. As a result, the Zhejiang Branch of China Continent Insurance was fined RMB9.55 million by the NDRC. For additional information on these penalties, please refer to the section headed "Business — Legal and Regulatory Proceedings."

In addition, China Continent Insurance engages in primary insurance business through its over 1,800 branches and sub-branches and over 20,000 employees, among others, some of whom it may not efficiently monitor and supervise. In the past, China Continent Insurance has detected fraud and other misconduct of its branches, sub-branches and employees that have, in some cases, resulted in legal liabilities on our part. In 2013, due to certain employees offering bribes to a customer of the Baicheng and Daan sub-branches of the Jilin branch of China Continent Insurance, the Baicheng and Daan sub-branches, along with the offending employees, were convicted of offering bribes to entities and were fined RMB40,000 and RMB80,000, respectively. Similar misconduct took place at the

Ningcheng sub-branch where the Ningcheng sub-branch and the relevant employee were also convicted of offering bribes to an entity, with the Ningcheng sub-branch fined RMB50,000. Please refer to “Business — Legal and Regulatory Proceedings — Administrative Proceedings and Penalties — Criminal Litigations” for further details.

China Continent Insurance also has a large number of customers. With the increasing awareness of customer protection, China Continent Insurance may be subject to more frequent customer complaints against it due to potential customer dissatisfaction with such services as underwriting and claims settlement.

These governmental examinations, regulatory sanctions, customer complaints and other relevant legal actions and proceedings may result in negative publicity, which may cause substantial harm to our corporate image and reputation and materially and adversely affect our business, results of operations, financial condition and prospects.

If we do not meet solvency margin ratio requirements, we could be subject to regulatory sanctions and could be forced to change our business strategies or slow down our growth.

PRC laws and regulations require us as a group and our Company and each of our reinsurance and insurance subsidiaries to maintain a minimum solvency margin ratio commensurate with the scale of our business operations and risk exposures. Under the Administrative Regulation of Solvency of Insurance Companies (保險公司償付能力管理規定), an insurance company is required to have capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of at least 100%. If our Company or any of our reinsurance or insurance subsidiaries fails to meet the relevant minimum solvency margin ratio requirements, the CIRC may impose regulatory sanctions on us, depending on the degree of deficiency in the solvency margin ratio, such as prohibiting an increase in the number of branches, restricting development of new business and restricting the payment of bonuses to senior management. For more information, please refer to the section headed “Supervision and Regulation — PRC Regulatory Overview — Solvency Management.” As at 31 December 2012, 2013 and 2014 and 30 June 2015, the consolidated solvency margin ratio of our Group was 381%, 324%, 248% and 253%, respectively; the solvency margin ratio of our Company was 8,108%, 11,003%, 16,309% and 8,684%, respectively; the solvency margin ratio of China Re P&C was 180%, 159%, 217% and 290%, respectively; the solvency margin ratio of China Re Life was 202%, 174%, 271% and 243%, respectively; and the solvency margin ratio of China Continent Insurance was 192%, 160%, 228% and 240%, respectively.

Our solvency margin ratio is affected by factors such as the amount of our capital, our business growth and our profitability. In addition, following the implementation of the C-ROSS regime, the regulatory regime and requirements governing solvency may be different from those currently in effect. If our capital and profit cannot continue to support the growth of our business in the future, if the required statutory solvency margin ratio increases, if our financial condition or results of operations deteriorate, or for other reasons we cannot comply with the statutory solvency margin ratio requirements, we may need to raise additional capital in order to meet such requirements. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including but not limited to, our future results of operations, financial condition, cash flows, government regulatory approvals, changes in regulations relating to capital raising activities, our ratings, general market conditions for capital raising activities, and other economic and political conditions in and outside of the PRC. For example, under the Measures for the Administration of Subordinated Term Debt of Insurance Companies (保險公司次級定期債務管理辦法), as amended in 2013, insurance group companies (or insurance holding companies) may issue subordinated debt in accordance with these measures; *provided* that (i) the audited net assets of the proposed issuer as at the end of the immediately preceding fiscal year were no less than RMB500 million and (ii) upon issuance, the total outstanding principal amount and interest of subordinated debt of the proposed issuer would not exceed 50% of the audited net assets of such issuer as at the end of the immediately preceding fiscal year.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all, in order to meet the current or future solvency requirements. Failure by our Company or any of our reinsurance or insurance subsidiaries to meet the solvency margin ratio requirements may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our embedded value and the value of one year's new business of our life and health reinsurance business are calculated based on a number of assumptions used in their respective calculations and may vary significantly as those assumptions are changed.

The information set forth in the section headed "Embedded Value" includes an estimate of our embedded value of our life and health reinsurance business (excluding any value attributed to future new business) and an actuarial estimate of the value of one year's new business of our life and health reinsurance business. The estimation of the value of in-force business and the value of one year's new business of our life and health reinsurance business has been performed by Ernst & Young. The related report of Ernst & Young is set forth in Appendix III to this prospectus. The calculation of these values necessarily makes numerous assumptions with respect to, among others, industry performance, general business and economic conditions, investment returns, reserving standards, taxation, life expectancy, business growth and other matters, many of which are beyond our control. Specifically, the related report of Ernst & Young makes certain assumptions regarding risk discount rates, investment returns, mortality, morbidity, lapses and surrenders, expense ratio, commissions, policyholder dividends and tax rates, among others. Those assumptions are inherently uncertain or forward-looking in nature, and actual experience in the future may vary significantly from the assumptions used in the calculations. Changes in those assumptions will result in changes, which may be substantial, in the estimates of the embedded value and the value of one year's new business of our life and health reinsurance business. Consequently, there are significant uncertainties associated with the estimates of the embedded value and the value of one year's new business of our life and health reinsurance business.

Since our actual market value is determined by investors based on a variety of information available to them, the embedded value and the value of one year's new business of our life and health reinsurance business should not be construed to be a direct reflection of our actual market value and performance, and should not be construed to have any correlation with the price of H Shares. For these reasons, you should only consider the embedded value and the value of one year's new business of our life and health reinsurance business after careful evaluation of all of the risks described in this prospectus, including the risks described in this section.

Our life and health reinsurance business may be adversely affected by concentrated surrenders in the underlying primary insurance business, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of unusual events that have significant or long-lasting impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, or loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, may trigger massive surrenders of insurance policies. In addition, adverse changes in the exchange rate of RMB may lead to a significant increase in the surrender rate of the underlying policies in our cross-border RMB reinsurance business.

If concentrated surrenders occur with respect to the primary life insurance policies underlying some of our life and health reinsurance business, we will be forced to dispose of our investment assets, potentially at unfavourable prices, so as to meet our substantial payment obligations in connection with these surrenders, which may materially and adversely affect our cash flows, results of operations, financial condition and prospects. Furthermore, to the extent concentrated surrenders occur with respect to the primary life insurance policies underlying our life and health reinsurance business, we will not be able to realise expected profits from such existing business, which will substantially reduce the value of our in-force business.

There are uncertainties associated with the future development of financial reinsurance in our life and health reinsurance business and, if the size of our financial reinsurance business declines significantly, the premium income from our reinsurance business may be materially and adversely affected.

Financial reinsurance in our life and health reinsurance business has grown substantially in recent years. Gross written premiums from financial reinsurance in 2012, 2013, 2014 and the first six months of 2015 reached RMB5,286 million, RMB7,863 million, RMB11,455 million and RMB11,559 million, respectively, representing 33.2%, 43.1%, 54.7% and 74.7% of total gross written premiums from our life and health reinsurance business for the respective period. The growth in our financial reinsurance has been a major driving force behind the growth in gross written premiums from our life and health reinsurance business in recent years. However, it is difficult to predict the demand for financial reinsurance from primary insurers, which may change from time to time due to regulatory requirements, company-specific circumstances or other factors, thus potentially resulting in more fluctuations in the size of our financial reinsurance business. In addition, the new regulatory provisions under the C-ROSS regime have created substantial uncertainties for the demand for financial reinsurance from primary insurers, which may result in a significant decline in the size of our financial reinsurance business and, in turn, may materially and adversely affect the premium income from our reinsurance business.

There are uncertainties associated with the future development of the cross-border RMB business in our life and health reinsurance business, which contributed significantly to our cash flows as well as the profit and the value of one-year's new business in our life and health reinsurance business. If the size of our cross-border RMB business declines significantly, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Benefiting from the acceleration of the RMB internationalisation process and the growth in the demand for RMB-denominated insurance policies, we became the first reinsurance company to conduct cross-border RMB reinsurance business in Hong Kong in 2010 and have since expanded this business to Macau, Singapore and Taiwan, establishing our dominant market position in this business. Gross written premiums from our cross-border RMB reinsurance business in 2012, 2013, 2014 and the first six months of 2015 reached RMB5,971 million, RMB6,377 million, RMB5,302 million and RMB1,917 million, respectively, representing 91.4%, 91.7%, 89.0% and 98.2% of total gross written premiums from our overseas life and health reinsurance business for the respective period. Since 2014, due to the fluctuations in the RMB exchange rates, the rise in the local RMB interest rate in Hong Kong, the operation of the Shanghai-Hong Kong Stock Connect and the increase in the number of market competitors, among others, the premium income from our cross-border RMB reinsurance business has declined. Adverse changes in the RMB exchange rates, the spread of RMB interest rates between onshore and offshore markets or any capital control measures imposed by the PRC Government in the future may result in a significant decline in the premium income from our cross-border RMB reinsurance business, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may need additional capital in our future development, and we cannot assure you that we would be able to obtain such capital in time or on acceptable terms, or at all.

Our future capital requirements depend on many factors, including regulatory requirements, our ability to write new business, the frequency and severity of catastrophic events, and our ability to price and reserve adequately for assumed risk at levels commensurate with covered risks. We may need to raise additional funds through financings or curtail our growth or reduce our assets. We cannot estimate with any certainty how much additional capital we may need in order to maintain profitability in the future, and we cannot assure you that we will be able to raise additional capital successfully.

Any new debt, equity or hybrid financial instruments issued may contain terms and conditions that are unfavourable to our existing Shareholders. Any new issuances of equity or hybrid securities could include the issuance of securities with rights, preferences and privileges that are senior or otherwise superior to those of the H Shares. Any new issuance could be dilutive to our existing Shareholders or cause the value of the H Shares to decline. Any new debt may increase our leverage, could expose us to an increased risk of loss and may contain terms that materially restrict our operations, including our ability to distribute cash to our Shareholders. Additional capital raised through the issuance of debt may result in creditors having rights, preferences and privileges senior or otherwise superior to those of an existing Shareholder. In addition, if we cannot obtain adequate capital on favourable terms, or at all, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our two largest shareholders are able to exercise significant influence over us.

Our two largest shareholders, Central Huijin and the MOF, will own approximately 72.13% and 12.82%, respectively, of our outstanding Shares immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In accordance with our Articles of Association and applicable laws and regulations, Central Huijin alone, or together with the MOF, will have the ability to exercise, directly or indirectly, a controlling influence over our business, including matters relating to:

- management, business strategies and policies;
- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of directors and supervisors;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to the Articles of Association.

The interests of Central Huijin and/or the MOF may not be aligned with our or our other shareholders' interests. As a result, Central Huijin and/or the MOF may take actions that other shareholders may not agree with or that are not in our or our other shareholders' best interests.

We do not have the relevant land use right certificates or property ownership certificates of certain properties and the lessors of some of our leased properties lack the relevant property title certificates, and we may need to seek alternative properties for certain properties or business premises.

As at 30 June 2015, we acquired, held and used 303 properties in the PRC with an aggregate gross floor area of approximately 198,400 square metres. Of such properties, we had not obtained the relevant land use right certificates and/or property ownership certificates (exclusive of those for properties for which the local governments have not commenced the approval and issuance of land use right certificate to the owners of such land use rights) for 84 properties with an aggregate gross floor area of approximately 40,700 square metres. We are currently in close communications with the local land and real estate administrative authorities in order to obtain the relevant land use right certificates and building ownership certificates that are not yet held by us. Please refer to the section headed "Business — Properties." However, we may be unable to obtain the certificates for all such properties due to defects in title or other reasons, which may adversely impact our ownership rights in such properties. If we are forced to relocate our business premises in any affected properties, we may suffer from disruptions in relevant business operations and may incur additional expenses.

Moreover, as at 30 June 2015, we leased 2,049 properties in the PRC, with an aggregate gross floor area of approximately 530,500 square metres, from third parties other than our Group, which were primarily used as business premises for our subsidiaries and branches. Of such properties, 666 properties with an aggregate gross floor area of approximately 182,100 square metres were leased from lessors that were unable to provide property title certificates or other documents evidencing the authorisation or consent from the property owners on sub-leasing. In such case, if a third party objects to the lease, that may affect our ability to continue to lease such property. As such, the relevant leases might be invalid. In respect of approximately 64.4% of the aggregate gross floor area under such non-compliant leases, the relevant lessors had confirmed that they were legally entitled to lease such properties and undertook to indemnify us against any losses due to the defects in title or other rights with respect to such properties. In addition, we may not be able to renew the leases on terms acceptable to us upon their expiry. If any of our leases is terminated due to complaints made by others or fails to be renewed upon expiry, we may need to search for other premises, suffer from disruptions in relevant business operations and incur additional relocation expenses. Furthermore, as at 30 June 2015, of the properties leased from third-party lessors, the leases of 442 properties with an aggregate gross floor area of 126,600 square metres had not been filed with the relevant governmental authorities. As at 30 June 2015, the total gross floor area of such properties with unregistered lease agreements accounted for 23.86% (in terms of gross floor area) of all properties leased from independent third party lessors. Although non-registration of lease agreements will not affect the legality of such lease agreements, we may be subject to penalties imposed by the relevant governmental authorities.

Our ability to pay dividends and meet other obligations depends on dividends and other payments from our subsidiaries, which are subject to their contractual obligations and other limitations.

We operate reinsurance, primary insurance and asset management businesses through our subsidiaries, including China Re P&C, China Re Life, China Continent Insurance and China Re AMC. Therefore, substantially all of our cash flows are generated from dividends and other distributions from our operating subsidiaries, which also own most of our assets. The liquidity of our funds and our ability to pay interest and expenses, meet our obligations and pay dividends depend on the inflow of funds from these subsidiaries. We cannot assure you that these subsidiaries will be able to generate sufficient funds to support the payment of dividends and other distributions in an amount sufficient to meet our cash needs and the need for payment of dividends to our Shareholders.

Our ability to pay dividends or meet other payment obligations may also be limited by the terms of any agreements in respect of our current or future indebtedness. Furthermore, our subsidiaries may incur indebtedness to third parties, the terms of which may restrict our ability to receive dividends or other distributions from these subsidiaries. The ability of our Company and our subsidiaries to pay dividends may be further restricted by regulatory authorities. Please refer to the section headed “Supervision and Regulation” and “Appendix VII — Summary of Articles of Association — Dividends and Other Methods of Profit Distribution.”

We may face infringement of our intellectual property rights and may inadvertently infringe the intellectual property rights of third parties.

Our reinsurance, primary insurance and asset management businesses rely on our trademarks and domain names as well as databases, economic models and/or software tools developed by us internally. Although we seek to protect our intellectual property rights, third parties may infringe our intellectual property rights or use them without authorisation. To protect our intellectual property rights, we may be required to commence litigation or other legal proceedings, which may result in substantial costs, diversion of our resources, disruptions in our business and weakening of our profitability. We may not be able to protect our intellectual property rights successfully, which may have a material adverse effect on our prospects and competitiveness.

We may be subject to claims made by third parties from time to time for alleged infringement of their intellectual property rights. Any such claims and any litigation or other legal proceedings arising from these claims may involve substantial costs and liabilities for damages and may harm our reputation. If we are found to have infringed, or used without authorisation, any third party's intellectual property rights, we may be prohibited from providing specified products or services to customers under certain circumstances or may be prohibited from using and benefiting from related methods, processes or software. Moreover, we may be required to enter into costly licensing arrangements with third parties or incur substantial costs in making alternative arrangements. If any of these occurs, our business, results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO THE REINSURANCE AND INSURANCE INDUSTRIES

If we cannot effectively respond to the increasing competition in the reinsurance and insurance industries, in particular in the PRC, our profitability and market share could be materially and adversely affected.

The reinsurance and insurance industries are highly competitive. We face intense competition, based upon, among other things, the perceived and relative financial strength, pricing and other terms and conditions, products and services provided, ratings, speed of claims payment, geographic scope of business, client relationships, broker relationships, reputation and experience in the business to be written, and local presence.

We compete with a variety of market participants in the PRC reinsurance market, including a number of leading global reinsurance companies with local presence in the PRC, such as Swiss Reinsurance Company ("Swiss Re"), Munich Reinsurance Co. ("Munich Re") and Hannover Rück SE ("Hannover Rück"), over 200 foreign reinsurance companies participating in the PRC reinsurance market on an offshore basis, and reinsurance operations of certain primary insurance companies. Many of these competitors have extensive experience in reinsurance, strong name and brand recognition and greater financial or operating resources, or offer a broader range of products or more competitive pricing than we do. In addition, we compete with numerous reinsurance and insurance companies in Asian, European, North American and other international reinsurance markets, some of which have significantly more expertise and experience in those markets, greater financial or other resources.

We also compete with new companies that continue to be formed to enter the reinsurance and insurance markets. In particular, some of the leading PRC insurance companies (as in the case of PICC Property and Casualty Company Limited ("PICC P&C"), which represented 27.4% of the GWPs from our P&C reinsurance business in 2014) have established, or have been reported to contemplate establishing, their own reinsurance subsidiaries, and providers of private capital in the PRC may also form new reinsurance companies. With the expected implementation of the C-ROSS regime, some overseas reinsurance companies currently participating in the PRC reinsurance market on an offshore basis may decide to establish local presence in the PRC, which may intensify the competition in the PRC reinsurance market.

Furthermore, non-traditional risk transfer mechanisms and alternative vehicles, such as catastrophe bonds and insurance-linked securities, are being developed in the PRC reinsurance market, and may be offered by other parties in the capital markets, which could affect the demand for traditional reinsurance or insurance. New competition from these developments could cause the demand for reinsurance or insurance to fall or the costs of new client development and retention to increase, either of which could have a material adverse effect on our growth and profitability. An excess supply of reinsurance capital resulting from the addition of alternative capital or an increase in the retention ratio of cedants, may drive pricing lower in reinsurance and put pressure on underwriting terms and conditions, which may have a material and adverse effect on our business, results of operations, financial condition and prospects.

We also face intense competition from both domestic and foreign P&C insurance companies in our primary P&C insurance business. Our primary competitors in this business are large P&C insurance companies in the PRC. Some of these competitors may have advantages over us in one or more areas, such as financial strength, management capabilities, resources, operating experience, market share, distribution channels and capabilities in pricing, underwriting and claims settlement.

The competitive landscape of the primary P&C insurance market in the PRC is characterised by market concentration. In terms of Original Premium Income published by the CIRC, the aggregate market share of the three largest primary P&C insurance companies in 2012, 2013, 2014 and the first six months of 2015 was 65.3%, 64.8%, 64.7% and 64.6%, respectively. In recent years, the formation and rapid growth of new P&C insurance companies and the booming of the Internet-based insurance have intensified the market competition in the primary P&C insurance industry in the PRC.

A decline in our competitive position in our reinsurance or insurance businesses could have a material adverse effect on our business, results of operations, financial condition and prospects.

The cyclical nature of the reinsurance and insurance industries may cause significant fluctuations in our results of operations.

Historically, the reinsurance industry has been cyclical, and reinsurers have experienced significant fluctuations in operating results due to competition, frequency or severity of catastrophic events, levels of underwriting capacity, underwriting results of primary insurers, general economic conditions and other factors. In addition, the supply of reinsurance is related to prevailing prices, the level of insured losses and the level of industry surplus which, in turn, may fluctuate, including in response to changes in rates of return on investments being earned in the reinsurance industry. The reinsurance industry has historically been characterised by periods of strong price competition, also known as a “soft market,” due to excessive underwriting capacity, as well as periods of more favourable pricing, also known as a “hard market,” due to limited underwriting capacity. Increased capacity, frequently as a result of favourable pricing, is often provided by new entrants or by the commitment of additional capital by existing reinsurers. The industry’s capacity to write business diminishes as losses are incurred and the industry’s capital is depleted. As the industry’s capacity decreases, a hard market begins, which ultimately attracts additional capacity. In recent years, we have experienced a softening market cycle, with increased competition, surplus underwriting capacity, deteriorating rates and less favourable terms and conditions, all having an impact on our ability to write business. The cyclical trends in the reinsurance industry and the industry’s profitability can also be affected significantly by volatile and unpredictable developments, such as courts granting large awards for certain damages, fluctuations in interest rates, changes in the investment environment that affect market prices of investments, realised investment losses and inflationary pressures that may tend to affect the size of losses experienced by insureds and primary insurance companies. We expect the cyclical nature of the reinsurance industry will continue to affect us, which may cause significant fluctuations in our results of operations.

The supply of available reinsurance capital has increased over the past several years and may increase further, either as a result of capital provided by new entrants or of the commitment of additional capital by existing insurers or reinsurers. In addition, alternative products, such as collateralised reinsurance contracts and other innovative insurance capital market instruments, may also provide increased capacity. Continued increases in the supply of reinsurance may have consequences for us and for the reinsurance industry generally, including lower premium rates, lower business volume, increased costs for client acquisition and retention and less favourable policy terms and conditions, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Historically, the primary insurance industry in the PRC have also been cyclical, and the operating results of primary insurance companies have experienced fluctuations due to competition, pricing trends in the industry, level of underwriting profit in the industry, market demand for insurance, general economic conditions and other factors. The primary insurance industry had experienced periods of declining overall profitability due to intense market competition, declines in overall customer demand, declines in product pricing, economic depressions and other factors, as well as periods of rising overall profitability due to eased market competition, increases in overall customer demand, stable product pricing, sound economic growth and other factors. In recent years, our primary P&C insurance business experienced a market period of low profitability, with intensified competition in the industry, declines in product premium rates and insufficient customer demand as compared to supply, which adversely affected our underwriting capabilities. We expect that our primary P&C insurance business will continue to be affected by cyclical trends, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

The implementation of the C-ROSS regime may adversely affect our business, results of operations, financial condition and prospects.

The CIRC has recently promulgated the regulatory provisions relating to the C-ROSS regime, which is expected to be implemented following a transition period. As a new risk-based, second-generation insurance solvency regulation system in the PRC, the C-ROSS regime, as compared with the existing solvency regulation system that only imposes quantitative capital requirements, comprises three pillars, namely, quantitative capital requirements, qualitative regulatory requirements and market discipline mechanisms, and would impose a comprehensive set of new regulatory requirements covering both quantitative and qualitative aspects of insurance and reinsurance companies' operations.

The first pillar is the "quantitative capital requirements", which has detailed calculation requirements on how insurance companies quantify risks. In the measurement of minimum capital, as opposed to the scale-based calculation method under the current regulatory system, the C-ROSS regime adopts a risk-based calculation method that calculates minimum capital according to the respective business risks. In the measurement of available capital, the C-ROSS regime uses the measured value of the insurance company's assets under accounting standards in order to more objectively reflect the size of the capital. Compared with the existing regulatory system that only considers insurance risks, the C-ROSS regime also considers the impacts of credit risks, market risks and risk management capabilities, and has added the liquidity risk indicator and stress testing requirements.

The second pillar is the "qualitative supervisory requirements". As opposed to the existing solvency regulation system that only imposes quantitative capital requirements, the C-ROSS regime, on top of the first pillar, further incorporates considerations of risks that are difficult to quantify, such as operational risks, strategic risks, reputational risks and liquidity risks, implemented by means of such tools as integrated risk ratings, risk management assessment scores and liquidity risk regulations. In particular, results of risk management assessment scores will affect minimum capital calculation.

The third pillar is the "market discipline mechanism", which further incorporates considerations of risks by utilizing market forces other than regulatory authorities through such means as information disclosure, information exchange and ratings. In addition to the submission of solvency reports to authorities as required in the existing regulatory system, the C-ROSS regime imposes higher requirements on solvency information disclosure.

The C-ROSS regime is expected to significantly affect the way insurance companies conduct their businesses in the PRC and may result in changes in business volume, business scope and territory, their asset and liability portfolios, their reinsurance arrangements, and their risk management practices and risk retention.

As the first pillar of the C-ROSS regime imposes differentiated risk capital requirements for business risks, with higher sensitivity to risks, the implementation of the C-ROSS regime may have a material impact on the growth and composition of our business.

With respect to our underwriting businesses, as insurance companies are expected to make reinsurance arrangements primarily based on risk-oriented capital requirements under the C-ROSS regime, they may decide to cede a higher proportion of their businesses that have higher risk capital requirements (such as longer-term businesses with more fluctuations in losses) while retaining a higher proportion of their businesses that have lower risk capital requirements (such as motor insurance business), and they may favour non-proportional reinsurance so as to transfer tail risks more effectively. Therefore, insurance companies' overall reinsurance needs may undergo significant changes under the C-ROSS regime, which may in turn impact the volume, composition and terms of our reinsurance businesses and may result in higher volatilities in our underwriting performance and adversely affect our liquidity.

With respect to investment activities, the risk-oriented management framework under the C-ROSS regime requires us to focus more on our asset-liability management, strategic asset allocation, selection of investments and investment risk management, among others. The complexity in our asset-liability management may increase. If we fail to improve our asset-liability management capabilities in response to the new requirements under the C-ROSS regime, we may experience significant increases in our capital requirement and costs in our life and health reinsurance business under the C-ROSS regime.

As the second and third pillars of the C-ROSS regime impose rigorous requirements on such key aspects as risk management and information disclosure, insurers may face higher compliance costs. As the improvement of solvency risk management is an ongoing process, insurers are exposed to various degrees of compliance risks. In addition, due to the gap between insurers' existing risk management capabilities and those required by relevant regulations, insurers may need to devote more resources in order to meet relevant regulatory requirements such as related disclosure requirements, which will increase their operating costs in the short term. Therefore, we may incur higher compliance costs due to implementation of the C-ROSS regime. Furthermore, pursuant to the requirements of the C-ROSS regime, the solvency margin ratio of reinsurers directly affects the corresponding solvency capital requirements on the business ceded by the ceding companies. If we fail to meet the requirements, resulting in a corresponding increase in our minimum capital requirement or penalties imposed by the relevant regulatory authorities, our reputation may be harmed or our solvency margin ratio may decline. If this occurs, ceding companies will be less willing to cede their business to us, which will result in an adverse effect on the volume and composition of our business.

As the regulatory provisions under the C-ROSS regime also incorporate factors with a positive impact on business operations, it is difficult to assess the overall effect of the C-ROSS regime on business operations when these positive factors and the above negative factors are both taken into consideration. In addition, these regulatory provisions are subject to further revisions by regulatory authorities prior to the implementation of the C-ROSS regime. Therefore, we are unable to accurately predict its impact on us or the reinsurance and insurance industries in the PRC, and we cannot assure you that it will not have an adverse effect on our business, results of operations, financial condition or prospects.

Our businesses are extensively regulated and changes in relevant laws, regulations and policies could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our reinsurance, insurance, asset management and other businesses are subject to extensive regulation. The CIRC is the regulatory authority of the PRC reinsurance and insurance industries and has the authority to impose regulatory sanctions on non-compliant reinsurance and insurance companies. The PRC Insurance Law (中華人民共和國保險法), as amended, has afforded more protections to policyholders while setting higher standards for insurance companies. Our business activities are also subject to regulation by other government authorities in the PRC and elsewhere.

The terms and premium rates of some of our insurance products are subject to regulation. Changes in relevant regulations may affect the profitability of these reinsurance and insurance products. In addition, the CIRC regulations require that reinsurance and insurance companies to maintain minimum solvency margin ratios. Please refer to the section headed "Supervision and Regulation."

Furthermore, part of our business, such as our participation in CARP and CNIP, is closely related to government policies and relevant laws and regulations. Any changes in these policies or relevant laws or regulations may cause significant fluctuations in our underwriting results. If changes occur in these government policies or relevant laws or regulations, we may suffer a significant decline in the volume of our related reinsurance and insurance business, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Failure to comply with any of the laws and regulations to which we are subject could result in fines, restrictions on our business operations or expansion or, in extreme cases, revocation of our business licenses, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects. As some of the laws and regulations to which we are subject are relatively new, there is uncertainty regarding their interpretation and application. Please refer to the section headed "Supervision and Regulation." In addition, the regulators regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in the interpretation or application thereof, are prone to be made for the benefit of the insured parties, which may materially increase our direct and indirect compliance and other expenses and have a material adverse effect on our business, results of operations, financial condition and prospects.

Changes in the demand for motor vehicles in the PRC and the continuing changes in the regulation of motor insurance in the PRC could have a material adverse effect on our business, results of operations, financial condition and prospects.

In 2014, the reinsurance premium income from the motor line in our P&C reinsurance business represented 23.7% of our total gross written premiums, and the Original Premium Income from our primary motor insurance business represented 24.2% of our total gross written premiums. The significant contribution to our gross written premiums from motor reinsurance and insurance products in recent years has been largely driven by the rapid growth in consumer demand for motor vehicles in the PRC. We cannot assure you that consumer demand for motor vehicles in the PRC will continue to grow rapidly in the future. As a result of the high percentage of premiums derived from motor reinsurance and insurance products, adverse changes in consumer demand for motor vehicles in the PRC and any unfavourable change of government policies affecting such demand could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, any change in the regulation of motor insurance in the PRC may have an adverse effect on our business, results of operations, financial condition and prospects. For instance, on 1 June 2015, the CIRC launched a pilot reform programme in six provinces and municipalities in the PRC, including Heilongjiang, Chongqing, Guangxi, Shandong, Qingdao and Shaanxi, that is designed to introduce market-oriented reform of commercial motor insurance. This reform is likely to be implemented in other parts of the PRC, after taking into account the outcome of the pilot reform programme in these six provinces and municipalities. Over the long term, the coverage of commercial motor insurance will be further expanded to offer better protection and services for customers. The added discretion of insurance companies in the pricing of commercial motor insurance will also afford customers more options and help ensure that the premium rates in this business match more closely the covered risks. In addition, the reform of the setting of premium rates for commercial motor insurance will help transform the P&C insurance industry in the PRC by improving the market structure and encouraging market-oriented competition and growth among P&C insurance companies. However, in the short term, as premium rates for commercial motor insurance may decline, P&C insurance companies may experience an adverse change in the growth in premium income derived from their motor insurance business and incur higher claims payments due to expanded insurance coverage of commercial motor insurance. Therefore, the market-oriented reform of commercial motor insurance has resulted in some uncertainties for our operations in the short term.

The PRC insurance market may not grow as rapidly as we anticipate.

The PRC insurance market has experienced rapid growth in recent years to become one of the largest and fastest-growing insurance markets in the world. According to the Sigma Report 2015, in terms of total premiums in 2014, the PRC insurance market was the second largest insurance market in Asia and the fourth largest worldwide, and it was also the largest non-life insurance market in Asia and the second largest worldwide as well as the second largest life insurance market in Asia and the fourth largest worldwide. Please refer to the section headed “Industry Overview.” We expect that, with the continued growth in the PRC economy, the accumulation of wealth, urbanisation and demographic changes, the PRC insurance market will continue to expand and its insurance penetration and insurance density will continue to rise. Our judgments regarding the anticipated drivers of such growth and their impact on the PRC reinsurance and insurance industries are prospective, which may not be consistent with actual developments. In addition, the PRC reinsurance and insurance industries may be affected by systemic risks (including risks related to macroeconomic conditions and financial system stability). Consequently, the growth and development of the PRC reinsurance and insurance industries may not be sustainable, which could in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Changes in interest rates may materially and adversely affect our profitability.

Our returns on investment and the profitability of some of our businesses are sensitive to interest rate fluctuations. Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) could reduce our spread and thus materially and adversely affect our businesses, in particular our life and health reinsurance business, which in turn could have a material adverse effect on our overall business, results of operations, financial condition and prospects. Our spread, which is the difference between the actual investment returns of our investable assets backing our insurance contract liabilities and the assumed pricing rates of our reinsurance contracts, is a key source of net profit for our life and health reinsurance businesses.

A decline in interest rates may result in reduced investment returns from our newly added fixed income assets, thus materially reducing our profitability. During periods of declining interest rates, our average investment yield may be affected, as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with investments carrying lower yields, thus reducing our investment income. Accordingly, declining interest rates could have a material adverse effect on our business, results of operations, financial condition and cash flows and significantly reduce our profitability.

An increase in interest rates could also negatively affect our profitability. Although an increase in interest rates may increase investment returns on our newly added fixed income assets, it could also result in reduced value of our existing fixed income assets calculated based on fair value. In the meantime, due to competition among financial products, our life and health reinsurance clients may have to increase the assumed pricing rates of their insurance products, when interest rates rise, so as to make their relevant business more competitive, which may result in our clients' demand for a higher return to them under their reinsurance contracts with us in an attempt to alleviate the pressure on their own investment operations. To maintain our relationships with these clients and our market position, we may have to meet these clients' demand, thus potentially lowering our spread, which, in turn, may reduce the profitability of our relevant business. In addition, while the increased investment yield will increase the returns on investment from newly added assets in our investment portfolios, surrenders and withdrawals of some insurance contracts issued by our clients may be higher than expected due to rising interest rates and these clients may seek to shift to us some or all of the adverse consequences arising from such concentrated surrenders and withdrawals by way of reinsurance. This may require us to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These cash payments to our clients would result in a decrease in our total invested assets and a potential decrease in our net profit.

With respect to interest rate risk, we apply sensitivity analysis to the changes in our equity and net profit that would arise based on an assumption that the interest rate of our fixed rate and floating rate financial instruments would increase or decrease by 50 basis points. For details of the impact of the changes in interest rate on our profit during the Track Record Period, please refer to the section headed "Financial Information — Quantitative and Qualitative Disclosure about Market Risk" and Note 46(2)(b) to Appendix I.

Furthermore, we set reserves in our life and health reinsurance business based on a number of assumptions and estimates. Changes in interest rates may result in differences in actual experience from the assumptions and estimates used, which may have a material adverse effect on the setting of our reserves.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, the PBOC reduced the benchmark interest rate on one-year time deposits several times during the Track Record Period, from 3.50% at the beginning of 2012 to 3.00% at the end of 2012, and maintained such benchmark interest rate at 3.00% until November 2014. In each of November 2014 and March, May, June and August 2015, the PBOC reduced the benchmark interest rate on one-year time deposits by 0.25%. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

The limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments that insurance companies are permitted to make affect our ability to match closely the duration of our assets and liabilities.

Like other reinsurance and insurance companies, we seek to manage interest rate risk by matching, to the extent commercially practicable, the average duration of our investment assets and the corresponding insurance policy liabilities they support. Matching the duration of our assets to the corresponding liabilities reduces our exposure to changes in interest rates, because the effect of the changes could largely be offset against each other. However, restrictions under the PRC Insurance Law and related regulations on the types and ratios of assets in which we may invest, as well as the limited amounts and types of long-term investment assets in the PRC markets capable of matching the duration of our liabilities, may result in a shorter duration of assets than liabilities with respect to certain of our investment accounts. Please refer to the section headed “Supervision and Regulation — PRC Regulatory Overview — Deployment of Insurance Funds.” Moreover, the PRC capital markets do not currently provide adequate financial derivative products for us to hedge our interest rate risk. We expect that our exposure to interest rate risk will continue in the foreseeable future due to our dependence on the PRC capital markets for our investments and the resulting inability to match the durations of our assets and liabilities more closely. We cannot assure you that the investment scope permitted for, and related limitations on investment percentages imposed on, insurance companies in the PRC may be further eased in the future and the sizes and types of long-term fixed income products available in the PRC securities market may increase. If we are unable to match closely the duration of our assets and liabilities, however, we will continue to be exposed to risks related to interest rate changes, which may materially and adversely affect our results of operations and financial condition.

RISKS RELATING TO THE PRC

The PRC's political, economic and social conditions could affect our business, results of operations, financial condition and prospects, and adverse developments in the PRC economy or an economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our business, results of operations, financial condition and prospects.

We conduct most of our business in the PRC, and substantially all of our assets are located, and substantially all of our revenues are derived from our operations, in the PRC. Accordingly, our business, results of operations, financial condition and prospects, are, to a significant degree, subject to political, economic and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, without limitation, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC Government. The PRC Government also has significant oversight over the economic growth of the PRC by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. Although the PRC Government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The PRC Government has the power to implement macroeconomic control measures affecting its economy. The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be effective in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measures reduce the disposable income of the overall population who purchase insurance products, such measures may have a material adverse effect on our business, results of operations, financial condition and prospects.

As we conduct most of our business in the PRC, and substantially all of our assets are located, and substantially all of our revenues are derived from our operations, in the PRC, economic developments in the PRC have a significant effect on our business, results of operations, financial condition and prospects. Though the PRC has been one of the world's fastest growing economies in recent years, as measured by GDP growth, the PRC may not be able to sustain such a growth rate. For example, the GDP growth rate of the PRC decreased from 9.5% in 2011 to 7.7% in 2012 and from 7.7% in 2013 to 7.3% in 2014. There is no assurance that the GDP growth rate of the PRC will not further decline. In addition, unfavourable financial or economic conditions in recent years, including as a result of continued global financial uncertainties and the Eurozone sovereign debt crisis, have had and may continue to have an adverse impact on investors' confidence and financial markets in the PRC.

Moreover, concerns over capital markets volatility, liquidity issues, geopolitical issues, the availability and cost of credit and the unemployment rate have resulted in adverse market conditions in the PRC, which may materially and adversely affect our business, results of operations, financial condition and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC reinsurance and insurance industries and ultimately, the profitability of our business. Our labour and other costs may also increase due to pressure from inflation. Moreover, an economic slowdown in the PRC could materially and adversely affect the securities markets in the PRC and Hong Kong, which could significantly reduce the value of, and the income generated by, our investment portfolio.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, H Shares in foreign currency terms.

Our revenues and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on H Shares.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends in foreign currency without prior approval from the SAFE. However, in the future, the PRC Government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of H Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the government policies (including those of the PRC Government) and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. In July 2005, the PRC Government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of approximately 24.6% from 21 July 2005 to 30 June 2015. From July 2008 to June 2010, the Renminbi traded within a narrow range against the U.S. dollar. In June 2010, the PBOC announced that the PRC will further reform the Renminbi exchange rate regime and enhance the RMB exchange rate flexibility. In April 2012, the PBOC expanded the floating range of Renminbi against the U.S.

dollar in the inter-bank spot foreign exchange market from 0.5% to 1% and further expanded it to 2% in March 2014. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar is to be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Renminbi depreciated against the U.S. dollar following this August 2015 announcement by the PBOC. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Certain of our assets are denominated in foreign currencies, such as the U.S. dollar. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Although we may manage our exchange rate risk through settlements of foreign exchange, currency derivatives and other measures, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, H Shares in foreign currency terms.

The PRC legal system has uncertainties that could limit the legal protections available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC Government has promulgated laws and regulations that deal with economic matters, including securities regulations, shareholders' rights, foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve substantial uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and our Company, our directors, supervisors or senior officers or holders of Domestic Shares arising out of any rights or obligations concerning our affairs conferred or imposed thereupon by our Articles of Association or the PRC Company Law and related rules and regulations are to be resolved through arbitration. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to an arbitration organisation in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you that any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award would succeed.

In addition, according to the PRC Insurance Law and the related regulatory rules, the change of any shareholder holding more than 5% of a joint stock limited insurance company's shares is subject to the CIRC's approval. In the event that an investor holds more than 5% of the issued shares of a listed insurance company, such as our Company after the Listing, through open market purchases on a stock exchange, such insurance company is required to report to the CIRC for approval within five days of the change in shareholding. The CIRC has the right to request investors who do not meet the qualification requirements to transfer their shares. As a result, shareholders holding more than 5% of the issued shares of a listed insurance company may be requested to transfer their shares as a result of their non-compliance with the CIRC's requirements and may not be able to exercise shareholders' rights otherwise attached to such shares.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our directors, supervisors and management.

We are a company organised under the laws of the PRC, and substantially all of our business, assets and operations are located in the PRC. In addition, a majority of our directors, supervisors and executive officers reside in the PRC, and substantially all of the assets of such directors, supervisors and executive officers are located in the PRC. As a result, it may not be possible to effect service of process within the United States, Hong Kong or elsewhere outside the PRC upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws. Moreover, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in the PRC or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "Arrangement"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgement", "specific legal relationship" and "written form". A final judgement that does not comply with the Arrangement may not be recognized and enforced in a PRC court and our Company also cannot guarantee that a final judgement that complies with the Arrangement can be recognized and enforced in a PRC court.

Although our Company will be subject to the Listing Rules and the Takeovers Code after the listing of H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions against violations of the Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. The Takeovers Code does not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Payment of dividends is subject to restrictions under PRC laws and regulations.

Under PRC laws, dividends may only be paid out of distributable profits. Distributable profits are after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any replenishment of accumulated losses and allocations to statutory funds as well as optional funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Payment of dividends by us is also regulated by relevant PRC insurance laws and regulations. Any insurance company that has a solvency margin ratio of not higher than 150% is required to use the lower of (i) distributable profits calculated pursuant to the Accounting Standards on Business Enterprises and (ii) residual consolidated earnings calculated pursuant to the Solvency Reporting Standards for Insurance Companies as the basis for its profit distribution. In addition, the CIRC may restrict any insurance company that has a solvency margin ratio lower than 100% from paying dividends. Please refer to the section headed "Supervision and Regulation — PRC Regulatory Overview — Solvency Management."

Dividends distributed in the past may not be indicative of our dividend policy in the future.

The amount of dividends we have paid historically is not indicative of our future performance or the amount of dividends that may be paid in the future. Any future declaration of dividends will be proposed by our Board and the amount of any dividends will depend on various factors, including our results of operations, financial condition, prospects, capital adequacy levels and other factors that our Board may determine to be important. We cannot guarantee if and when we will pay dividends in the future.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individual holders of H Shares are subject to PRC individual income tax on dividends received from us. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.45 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 28 June 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. Please refer to the section headed "Appendix V — Taxation and Foreign Exchange — PRC Taxation" for details. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realised upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on 30 March 1998, income of individuals derived from the transfer of shares in listed enterprises is exempt from individual income tax. As at the Latest Practicable Date, no legislation had expressly provided that income of non-PRC resident individual holders of H Shares derived from sale or other disposition of H Shares is subject to individual income tax, and to the best knowledge of our Company, the PRC tax authorities in practice had not collected individual income tax on such income. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to further reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Please refer to the section headed "Appendix V — Taxation and Foreign Exchange — PRC Taxation" for details. As at the Latest Practicable Date, there are no other operating rules regarding the detailed implementation of the levy of tax on gains realised by non-PRC resident enterprise holders of H Shares upon sale or other disposition of H Shares. If the relevant rules are promulgated in the future, the value of investment made by such non-PRC resident enterprises in H Shares could be materially and adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business operations, results of operations and financial condition.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control, such as misconduct by third parties, may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. These regions may be under the threat of typhoon, tornado, snow storm, earthquake, flood, drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt out business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also result in injury or loss of lives of our employees and disrupt our business network and operations. Any of these and other factors beyond our control could have an adverse effect on the overall business environment and materially and adversely impact our business, results of operations and financial condition. See also "— Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition."

RISKS RELATING TO THE GLOBAL OFFERING AND THE H SHARES

There has been no prior public market for our H Shares, and the trading volume and market price of our H Shares may fluctuate significantly.

Prior to the Global Offering, no public market for our H Shares existed. We have made an application to the Hong Kong Stock Exchange for the listing and trading of H Shares. However, a listing on the Hong Kong Stock Exchange does not ensure that there will be an active public market for H Shares after the Global Offering. If an active public market for H Shares does not develop after the Global Offering, the market price and liquidity of H Shares may be materially and adversely affected.

The trading volume and market price of our H Shares may be highly volatile. Many factors, some of which are beyond our control, such as variation in our revenue, earnings and cash flows, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or regulatory investigations, general market conditions or other developments affecting us or our industries, or fluctuations in the market prices and demand for our products or services, could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the market price of our H Shares.

Future sales or perceived sales of a substantial number of our shares in public markets could have a material adverse effect on the prevailing market price of H Shares and dilute our Shareholders' H Share holdings.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us. In addition, our Shareholders would experience dilution in their holdings upon issuance or sale by our Company of additional equity or equity-linked securities in future offerings.

If additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

A certain number of our Shares (including without limitation 5,407,101,067 Shares held by the MOF and 30,423,521,018 Shares held by Central Huijin upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option) currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. Please refer to the section headed "Share Capital — Lock-Up Period." After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of those Shares could negatively impact the market price of H Shares and our ability to raise capital in the future.

According to the stipulations by the State Council's securities regulatory authority, the Domestic Shares held by the MOF and Central Huijin may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes shall have been duly completed in accordance with the Articles of Association and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of the Domestic Shares held by the MOF and Central Huijin on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could further increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Subject to the approval by the relevant regulatory authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange will also need to comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, which Shares may then trade on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of H Shares in the market and could negatively impact the market price of H Shares.

As the Offer Price of H Shares is expected to be higher than our net tangible book value per share, we expect purchasers of H Shares in the Global Offering will experience immediate dilution in net tangible asset value. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

The Offer Price of H Shares is expected to be higher than the net tangible asset value per share of the outstanding shares issued to our existing shareholders immediately prior to the Global Offering. Consequently, we expect purchasers of H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$0.69 per H Share (assuming an offer price of HK$2.70 per share for H Shares, being the high end of our indicative Offer Price range and assuming that the Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share for their shares. If the underwriters exercise their Over-allotment Option or if we issue additional Shares in the future, purchasers of H Shares may experience further dilution in shareholdings.

The conversion of a significant number of Domestic Shares into H Shares may seriously harm the prevailing market price of our H Shares.

The Company's Domestic Shares can be converted into H Shares; provided that such conversion and the trading of H Shares so converted have been duly completed pursuant to the Company's requisite internal approval process and the approval from the relevant PRC regulatory authorities. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council, as well as the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

Facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and other jurisdictions and their economies and reinsurance and insurance industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

Facts, forecasts and statistics in this prospectus relating to the PRC, Hong Kong and other jurisdictions and their economies and reinsurance and insurance industries are derived from various official or third-party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. We make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up-to-date. Moreover, the statistics in this prospectus may be inaccurate or are less developed than statistics produced for other economies and should not be unduly relied upon.

We have significant discretion as to how we will use the net proceeds from the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We intend to use the net proceeds from the Global Offering to strengthen our capital base and support our business growth, as described in the sections headed "Summary — Use of Proceeds" and "Future Plans and Use of Proceeds from the Global Offering" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. In the event that there is a material modification to the intended use of proceeds as described in this prospectus following the Listing, we will issue an announcement of that change. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

Since there is expected to be a gap of several Hong Kong business days between pricing and trading of Offer Shares, holders of Offer Shares are subject to the risk that the price of Offer Shares could fall during the period before trading of Offer Shares begins.

The Offer Price of H Shares is expected to be determined on the Price Determination Date. However, H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in H Shares during that period. Accordingly, holders of H Shares are subject to the risk that the price of H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in connection with the Global Offering in making your investment decision regarding H Shares. We do not accept any responsibility for the accuracy or completeness of any data reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in the Global Offering. Prospective investors in H Shares are reminded that, in making their decisions as to whether to purchase H Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any data other than that contained in this prospectus and the Application Forms.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our measures and actions to implement these strategies;
- the future competitive environment of the PRC or global reinsurance and insurance industries;
- our dividend policy;
- any capital expenditure plans;
- our operational and business prospects, including development plans for our existing and new businesses, products and services;
- changes in the regulatory environment of the PRC or global reinsurance and insurance industries, including the latest developments in the laws, rules and regulations applicable to us;
- general economic conditions; and
- general industry outlook for and future developments in the PRC or global reinsurance and insurance industries.

The words "aim," "anticipate," "endeavour," "believe," "could," "estimate," "proposed," "expect," "going forward," "intend," "may," "plan," "seek," "will," "would" and similar expressions, as they relate to us, are intended to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and do not guarantee any future performance. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section headed "Risk Factors" and the following:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the CIRC and other relevant government authorities relating to any aspects of our business operations, and the implications of such changes (including but not limited to the implementation of the C-ROSS regime) for our business, results of operations, financial condition and prospects;
- general economic, market and business conditions in the PRC, including the sustainability of the economic growth and the conditions of the capital markets in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;

- the effect of competition in the PRC reinsurance and insurance industries on the demand for and the prices of our products and services;
- business opportunities and expansion that we may pursue (including international business expansion);
- changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, in the PRC;
- the occurrence of catastrophic events and pandemics and their effects on our business, results of operations, financial condition and prospects, including but not limited to our estimated aggregate losses arising from the 2015 Tianjin Explosions as well as the expected impact of the 2015 Tianjin Explosions on our business, results of operations (including our net profit for 2015), financial condition, solvency margin ratios or embedded value;
- the frequency and severity of insured loss events, including but not limited to the projected single-event net PMLs of our P&C reinsurance business due to risks from certain severe natural disasters;
- persistency levels;
- termination of or changes in the cooperation relationships with primary insurance companies or third parties;
- changes in the availability, cost, quality or collectability of reinsurance or retrocession;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;
- our ability to price our products and services properly and establish reserves for future policy benefits and claims;
- our ability to maintain our credit ratings; and
- other factors beyond our control.

Forward-looking statements involve inherent risks, uncertainties and assumptions and speak only as at the date on which they are made. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section. We do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of any new information or future events or otherwise.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus.

Having made all reasonable inquiries, our Directors confirm that, to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

APPROVALS OF THE CIRC AND THE CSRC

The CIRC and the CSRC have given their approvals for the Global Offering and our application for the listing of H Shares on the Hong Kong Stock Exchange on 7 July 2015 and 18 August 2015, respectively. In granting such approvals, neither the CIRC nor the CSRC accepts any responsibility for our financial soundness or the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

HONG KONG PUBLIC OFFERING, UNDERWRITING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered for sale solely in accordance with the information contained and statements made in this prospectus and the Application Forms under the terms and subject to the conditions therein. No person is authorised to give any information in connection with the Global Offering or to make any statement not contained in this prospectus, and any information or statement not contained or made herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any parties involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the terms of the Hong Kong Underwriting Agreement but is conditional upon agreement on the Offer Price between us and the Underwriters' Representatives (on behalf of the Underwriters). The International Purchase Agreement is expected to be entered into on or before 17 October 2015, subject to agreement on the Offer Price. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed between us and the Underwriters' Representatives (on behalf of the Underwriters), the Global Offering will not proceed and shall lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Under no circumstances shall the delivery of this prospectus or any offer, sale or delivery of any Offer Shares be taken to mean there has been no change or development which may change our affairs since the date of this prospectus or imply that any information contained in this prospectus remains accurate as at any date after the date of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set forth in the section headed "How to Apply for Hong Kong Offer Shares" and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFER OF H SHARES

Each person acquiring the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering shall be required to confirm, or be deemed by his acquisition of the Offer Shares to have confirmed, that he is aware of the restrictions on the Offer Shares described in this prospectus.

No action has been taken to permit the public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances if such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares, including: (i) the H Shares to be issued under the Global Offering, which include any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option; and (ii) the H Shares transferred to the NSSF pursuant to relevant regulations in respect of reduction of state-owned shares.

Save as disclosed in this prospectus, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is planned or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares are expected to commence on Monday, 26 October 2015. The H Shares will be traded in board lots of 1,000 H Shares each. The stock code of the H Shares will be 1508.

ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

SHARE REGISTER AND STAMP DUTY

All of the H Shares will be registered on the H Share register maintained with Computershare Hong Kong Investor Services Limited, our H Share registrar in Hong Kong, and we also maintain our register of members at our legal address in the PRC.

Dealings in the H Shares registered on our H Share register in Hong Kong will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF THE SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any individual holder unless the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that:

1. the holder agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

2. the holder agrees with us, each of our Shareholders, Directors, Supervisors and other senior management, and we, acting for ourselves and for each of our Directors, Supervisors and other senior management, agree with each of our Shareholders to refer all differences and claims concerning our Company's affairs arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

3. the holder agrees with us and each of our Shareholders that the H Shares in the registered share capital of the Company are freely transferable by the holders thereof; and

4. the holder authorises us to enter into a contract on his behalf with each of our Directors, Supervisors and other senior management whereby such Directors, Supervisors and other senior management undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors of the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in H Shares (or exercising the rights attached). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering accepts any responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding, disposal of or dealing in or exercising the rights attached to the H Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of Renminbi amounts into Hong Kong dollars, of Renminbi amounts into US dollars and of Hong Kong dollars into US dollars at specified rates.

Unless we indicate otherwise, in this prospectus, the translations of Renminbi into Hong Kong dollars, of Renminbi into US dollars and of Hong Kong dollars into US dollars have been made at the following exchange rates and vice versa:

- RMB0.82081 to HK$1.0, the prevailing rate set by the PBOC on 30 September 2015;
- RMB6.3556 to US$1.0, the noon buying rate in effect on 30 September 2015 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States; and
- HK$7.7499 to US$1.0, the noon buying rate in effect on 30 September 2015 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

No representation is made that any amounts in Renminbi, Hong Kong dollar or US dollar can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese version, the English version shall prevail. PRC laws and regulations, government authorities, departments, entities (including us and certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus have no official English translation and their translated English names are unofficial translations for your reference only. In the event of any inconsistency, the Chinese names shall prevail.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts contained in this prospectus are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LI Peiyu (李培育), Chairman	No. 301, Unit 4, East Building 9, Tsinghua University, Haidian District, Beijing, PRC	Chinese
Mr. WANG Pingsheng (王平生), Vice Chairman	Suite B, 5th Floor, Building 12, Guancheng South Garden, Madian, Haidian District, Beijing, PRC	Chinese
Mr. ZHANG Hong (張泓)	No.701, Building 8, Fenghui Garden, Xicheng District, Beijing, PRC	Chinese
Mr. REN Xiaobing (任小兵)	Suite 6-603, Wanliu Bishuiyuntian, Haidian District, Beijing, PRC	Chinese
Non-Executive Directors		
Ms. LU Xiuli (路秀麗)	Building 9, Block 5, Yuanda Garden, Century City, Haidian District, Beijing, PRC	Chinese
Mr. SHEN Shuhai (申書海)	No.705, Building 2, Jia 11 West Street, Wanshou Road, Haidian District, Beijing, PRC	Chinese
Independent Non-Executive Directors		
Ms. WANG Jun (王珺)	No. 601, Unit 3, Dormitory Building 23, Tsinghua University, Haidian District, Beijing, PRC	Chinese
Mr. HAO Yansu (郝演蘇)	No. 1101, East Tower Building, No. 39 Xueyuan South Road, Haidian District, Beijing, PRC	Chinese
Mr. LI Sanxi (李三喜)	No. 602, Unit 5, Building 4, No. 2 Zhichun Road, Haidian District, Beijing, PRC	Chinese
Ms. MOK Kam Sheung (莫錦嫦)	Floors 1 & 2, No. 180, Hilltop Garden, Pun Shan Chau, Tai Po, Hong Kong	Hong Kong

SUPERVISORS

Name	Address	Nationality
Mr. WANG Yonggang (王永剛), Shareholder Representative Supervisor, Chairman of the Board of Supervisors	No. 402, Unit 1, Building 4, Fengrong Garden, Xicheng District, Beijing, PRC	Chinese
Mr. WEI Shiping (魏世平), Shareholder Representative Supervisor	No.302, Unit 5, Building 18, Yiyuanju, No.4 Cuiwei Road, Haidian District, Beijing, PRC	Chinese
Mr. ZHU Yong (朱永), Shareholder Representative Supervisor	No. 1406, Building 22, Balizhuang North, Haidian District, Beijing, PRC	Chinese
Mr. CAO Shunming (曹順明), Employee Representative Supervisor	No. 412, Building 6, Block 24, Haidian South Road, Haidian District, Beijing, PRC	Chinese
Mr. LIN Wei (林偉), Employee Representative Supervisor	No. 601, Unit 4, Building 3, Block 5, Sidaokou Road, Haidian District, Beijing, PRC	Chinese

Further information about the Directors and the Supervisors is set out in the section "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Center 1 Harbour View Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

UBS AG Hong Kong Branch
52/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Nomura International (Hong Kong) Limited
30/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

	UBS Securities Hong Kong Limited 42nd Floor One Exchange Square 8 Connaught Place Central Hong Kong
	HSBC Corporate Finance (Hong Kong) Limited 1 Queen's Road Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Center 1 Harbour View Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Nomura International (Hong Kong) Limited
30/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F One Pacific Place
88 Queensway
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908
19/F Cosco Tower
183 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F
ICBC Tower
3 Garden Road
Hong Kong

ABCI Capital Limited
10/F
Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F
One Exchange Square
Central
Hong Kong

Merrill Lynch International
2 Kind Edward Street
London
EC1A 1HQ
England

Daiwa Capital Markets Hong Kong Limited
Level 28 One Pacific Place
88 Queensway
Hong Kong

Citigroup Global Markets Asia Limited
50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
(in relation to the Hong Kong Public Offering)

Citigroup Global Markets Limited
Citigroup Centre, Canada Square, Canary Wharf, London E145LB, United Kingdom
(in relation to the International Offering)

Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

BOCI Asia Limited
26F
Bank of China Tower
1 Garden Road
Central
Hong Kong

Jefferies Hong Kong Limited
22/F Cheung Kong Centre
2 Queen's Road Central
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
Units 3501-7 & 3513-14
35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Center 1 Harbour View Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Nomura International (Hong Kong) Limited 30/F Two International Finance Centre 8 Finance Street Central Hong Kong

CLSA Limited
18/F One Pacific Place
88 Queensway
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908
19/F Cosco Tower
183 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F
ICBC Tower
3 Garden Road
Hong Kong

ABCI Securities Company Limited
10/F
Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F
One Exchange Square
Central
Hong Kong

Merrill Lynch Far East Limited
55/F
Cheung Kong Center
2 Queen's Road Central
Hong Kong
(in relation to the Hong Kong Public Offering)

Merrill Lynch International
2 Kind Edward Street
London, EC1A 1HQ
England
(in relation to the International Offering)

Daiwa Capital Markets Hong Kong Limited
Level 28 One Pacific Place
88 Queensway
Hong Kong

Citigroup Global Markets Asia Limited
50/F Citibank Tower, Citibank Plaza, 3 Garden Road,
Central, Hong Kong
(in relation to the Hong Kong Public Offering)

Citigroup Global Markets Limited
Citigroup Centre, Canada Square, Canary Wharf, London
E145LB, United Kingdom
(in relation to the International Offering)

Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

BOCI Asia Limited
26F
Bank of China Tower
1 Garden Road
Central
Hong Kong

Jefferies Hong Kong Limited
22/F Cheung Kong Centre
2 Queen's Road Central
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
Units 3501-7 & 3513-14
35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Reporting Accountant

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Property Valuer	**Savills Valuation and Professional Services Limited** 23rd Floor Two Exchange Square Central Hong Kong
	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor Three Pacific Place 1 Queen's Road East Admiralty Hong Kong
Actuarial Consultants	**Ernst & Young (China) Advisory Limited** Room 07A, 35/F No. 989 Changle Road Shanghai PRC
Legal Advisers to the Company	*As to Hong Kong and United States law:* **Slaughter and May** 47th Floor Jardine House One Connaught Place Central Hong Kong
	As to U.S. sanctions law: **Cravath, Swaine & Moore LLP** 825 Eighth Avenue New York, NY 10019 United States of America
	As to E.U. sanctions law and United Nations Security Council resolutions: **Slaughter and May** One Bunhill Row London EC1Y 8YY United Kingdom

	As to PRC law: **King & Wood Mallesons** 20th Floor, East Tower World Financial Centre 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States law:* **Sullivan & Cromwell** 28th Floor Nine Queen's Road Central Hong Kong
	As to PRC law: **Haiwen & Partners** 20th Floor Fortune Financial Centre 5 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Compliance Adviser	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

Registered Office and Headquarters	No. 11 Finance Street Xicheng District Beijing PRC
Principal Place of Business in Hong Kong	Room 2428 Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Company's Website	www.chinare.com.cn *(No information on this website forms part of this prospectus.)*
Joint Company Secretaries	Ms. YU Qing No. 11 Finance Street Xicheng District Beijing PRC Ms. YUNG Mei Yee (*FCIS, FCS*) 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	Mr. LI Peiyu No. 301, Unit 4 East Building 9 Tsinghua University Haidian District Beijing PRC Ms. YU Qing No. 11 Finance Street Xicheng District Beijing PRC
Audit Committee	Mr. LI Sanxi (Chairman) Mr. HAO Yansu (Vice Chairman) Ms. LU Xiuli Mr. SHEN Shuhai Ms. WANG Jun

Nomination and Remuneration Committee	Ms. WANG Jun (Chairman) Mr. SHEN Shuhai (Vice Chairman) Ms. LU Xiuli Mr. LI Sanxi Ms. MOK Kam Sheung
Strategy and Investment Committee	Mr. LI Peiyu (Chairman) Mr. WANG Pingsheng Mr. ZHANG Hong Ms. LU Xiuli Mr. SHEN Shuhai
Risk Management Committee	Mr. LI Peiyu (Chairman) Ms. LU Xiuli (Vice Chairman) Mr. ZHANG Hong Mr. REN Xiaobing Mr. HAO Yansu
Related Transactions Control Committee	Mr. HAO Yansu (Chairman) Ms. WANG Jun Mr. LI Sanxi
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**Bank of Communications Co., Ltd.** Beijing Deshengmen Sub-branch 1st Floor, Eastern Side, Building A Desheng International Centre No.85, Dewai Street Xicheng District Beijing PRC **Shanghai Pudong Development Bank Co., Ltd.** 1st Operation Department No. 12, 1st East Zhongshan Road Huangpu District Shanghai PRC

China Everbright Bank Co., Ltd.
Beijing Fengsheng Sub-branch
Building B, Everbright Centre
No. 25, Taipingqiao Street
Xicheng District
Beijing
PRC

China Minsheng Banking Corp. Ltd.
Beijing Xierhuan Sub-branch
2nd Floor, Xinshidai Tower
No. 26, Pinganli West Street
Xicheng District
Beijing
PRC

China Guangfa Bank Co., Ltd.
Hangzhou Branch Operation Department
No. 516, Yanan Road
Hangzhou, Zhejiang Province
PRC

Bank of China Limited
Beijing Qinghuayuan Sub-branch
1st Floor, Chuangxin Tower
Eastern Gate of Tsinghua University
Haidian District
Beijing
PRC

Ping An Bank Co., Ltd.
Shanghai Branch Operation Department
No. 1333, Lujiazui Ring Road
Pudong New Area
Shanghai
PRC

The information presented in this section is derived from various official or publicly available sources, unless indicated otherwise. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Underwriters, our or their affiliates or advisers or any other party involved in the Global Offering, and no representation is given as to its accuracy.

THE PRC INSURANCE INDUSTRY

Overview

The PRC insurance market has experienced rapid development in recent years and is one of the largest and fastest-growing insurance markets in the world. According to the Sigma Report 2015, in terms of total premiums in 2014, the PRC insurance market was the second largest insurance market in Asia and the fourth largest worldwide. It was also the largest non-life insurance market in Asia and the second largest worldwide, as well as the second largest life insurance market in Asia and the fourth largest worldwide in terms of total premiums in 2014. The PRC insurance industry has been growing at a faster pace than the overall economy in the PRC in recent years. According to the data published by the National Bureau of Statistics of China, the nominal GDP of the PRC grew at a CAGR of approximately 9.5% between 2011 and 2014, while the total Original Premium Income of the PRC insurance industry grew at a CAGR of approximately 12.2% during the same period, according to the data published by the CIRC. The total Original Premium Income in the PRC in 2014 reached approximately RMB2,023 billion, of which approximately RMB720 billion was derived from P&C insurance business, representing a CAGR of approximately 16.0% between 2011 and 2014, and approximately RMB1,303 billion was derived from life and health insurance business, representing a CAGR of approximately 10.3% during the same period, according to the data published by the CIRC.

Insurance penetration and insurance density are expected to increase further in the PRC insurance market. According to the Sigma Report 2015, insurance penetration and insurance density in the PRC were approximately 3.2% and US$235 per capita in 2014, respectively. Pursuant to the New Ten Guidelines issued by the State Council in August 2014, the PRC Government has set an insurance penetration target of 5.0% and an insurance density target of RMB3,500 per capita (or approximately US$550 per capita), respectively, for the PRC insurance industry by 2020. These targets reflect the importance placed by the PRC Government on the future development of the insurance industry and indicate significant growth potential in the PRC insurance market over the next five years.

History and Development of the PRC Insurance Industry

In October 1949, The People's Insurance Company of China (中國人民保險公司) was established, upon approval of the Government Administration Council of the PRC, to engage in insurance business nationwide. The People's Insurance Company of China ceased its domestic business from 1959 to 1979 and has gradually resumed its domestic business since 1979. During the next few decades, a number of insurance subsidiaries were established as a result of the reorganisation of The People's Insurance Company of China, and other domestic commercial insurance companies were also established. In addition, foreign insurance companies gradually started to enter the PRC insurance market. According to the data published by the CIRC, as at 30 June 2015, there were 70 P&C insurance companies and 75 life and health insurance companies in the PRC insurance market, including 22 foreign-invested P&C insurance companies and 28 foreign-invested life and health insurance companies.

The PRC Insurance Law (中華人民共和國保險法) was promulgated in 1995, setting out the basic principles for the development and regulation of the PRC insurance industry. There are a number of administrative regulations, rules and regulatory provisions in effect to supplement the PRC Insurance Law. Prior to 1998, the PBOC was the regulatory authority for the PRC insurance industry. In 1998, the CIRC was established by the State Council to regulate the PRC insurance market.

Status of Market Development

The PRC insurance market has been developing rapidly in recent years. The total premiums of the PRC insurance market grew at a significantly higher rate than the global insurance market during the same period. According to the Sigma Report 2015, the non-life insurance premiums in the PRC increased by 19.5% from US$126.82 billion in 2013 to US$151.49 billion in 2014, which was more than five times the growth rate of 3.7% in respect of global non-life insurance premiums during the same period. Life insurance premiums in the PRC increased by 15.4% from US$153.30 billion in 2013 to US$176.95 billion in 2014, which was more than three times the growth rate of 4.3% in respect of the global life insurance premiums during the same period. Despite remarkable growth recorded by the PRC insurance market in recent years, both insurance penetration and insurance density remain relatively low compared to developed insurance markets. According to the Sigma Report 2015, in 2014, the insurance penetration of non-life insurance and life insurance markets in the PRC was 1.5% and 1.7%, respectively, and during the same period, the insurance density of the non-life insurance and life insurance markets in the PRC was US$109 per capita and US$127 per capita, respectively, which were lower than those in developed countries, such as the United States, Japan and Germany, indicating significant growth potential in the PRC insurance market.

The following table sets forth the key economic indicators, as well as the insurance penetration and insurance density for non-life insurance and life insurance markets, in the PRC and other selected countries and regions in 2014:

	Economic indicator				Non-life insurance[1]				Life insurance[2]			
Market	**Nominal GDP**	**Population**	**Nominal GDP per capita**	**Real GDP growth rate[3]**	**Premiums**	**Premiums growth rate[3]**	**Insurance penetration**	**Insurance density**	**Premiums**	**Premiums growth rate[3]**	**Insurance penetration**	**Insurance density**
	(US$ in billions)	*(millions)*	*(US$)*	*(%)*	*(US$ in billions)*	*(%)*	*(%)*	*(US$)*	*(US$ in billions)*	*(%)*	*(%)*	*(US$)*
PRC	10,114	1,394.9	7,250.7	7.4%	151.5	19.5%	1.5%	109	177.0	15.4%	1.7%	127
United States	17,430	318.7	54,690.9	2.4%	752.2	4.2%	4.3%	2,360	528.2	(0.9)%	3.0%	1,657
Japan	4,440	127.0	34,960.6	(0.1)%	108.2	(5.5)%	2.4%	852	371.6	(3.1)%	8.4%	2,926
Germany	3,865	82.3	46,962.3	1.6%	136.2	2.3%	3.4%	1,617	118.5	3.3%	3.1%	1,437
United Kingdom	2,946	64.7	45,533.2	2.6%	115.9	8.7%	2.6%	1,185	235.3	7.4%	8.0%	3,638
France	2,848	66.1	43,086.2	0.4%	97.8	1.6%	3.1%	1,350	172.8	7.2%	5.9%	2,552
South Korea	1,416	50.4	28,095.2	3.4%	57.9	6.5%	4.1%	1,149	101.6	11.0%	7.2%	2,014
Switzerland	708	8.2	86,341.5	2.0%	29.1	3.0%	4.1%	3,542	36.1	2.4%	5.1%	4,391
Taiwan	506	23.5	21,531.9	3.4%	16.5	3.1%	3.3%	701	79.2	5.5%	15.6%	3,371
Hong Kong	290	7.3	39,726.0	2.3%	4.2	4.9%	1.4%	575	36.9	10.9%	12.7%	5,071

Source: Sigma Report 2015

Notes:

(1) Including accident and health insurance.

(2) Excluding accident and health insurance.

(3) From 2013 to 2014.

PRC Insurance Market Share, Concentration and Competitive Landscape

The PRC insurance market is highly concentrated. According to the data published by the CIRC, in terms of Original Premium Income in 2014 and the first half of 2015, the top five PRC P&C insurance companies had an aggregate market share of 74.7% and 75.4%, respectively, in the PRC P&C insurance market, and the top five PRC life and health insurance companies had an aggregate market share of 62.5% and 59.3%, respectively, in the PRC life and health insurance market. For the competitive landscape of the PRC P&C insurance market, please refer to the section headed "Business — Competition — Competition in the Primary P&C Insurance Market."

The following table sets forth the market shares of the top ten P&C insurance companies in terms of Original Premium Income in the PRC P&C insurance market in 2014 and their respective market shares in the first half of 2015, according to the data published by the CIRC:

	P&C insurance: market share(1)	2014	First half of 2015
1	PICC Property and Casualty Company Limited	33.5%	34.2%
2	Ping An Property and Casualty Insurance Company of China, Ltd. ("Ping An P&C")	18.9%	19.1%
3	China Pacific Property Insurance Co., Ltd. ("CPIC P&C")	12.3%	11.3%
4	China Life Property & Casualty Insurance Company Limited ("China Life P&C")	5.4%	5.7%
5	China United Property Insurance Company ("China United")	4.6%	5.1%
6	**China Continent Property and Casualty Insurance Company Ltd.**(2)	3.0%	3.1%
7	Sunshine P&C Insurance Co., Ltd.	2.8%	2.9%
8	China Export & Credit Insurance Corporation	2.4%	1.4%
9	Taiping General Insurance Co., Ltd.	1.8%	1.8%
10	Tianan Property Insurance Co., Ltd.	1.5%	1.6%
	Others	13.8%	13.8%
	Total	100.0%	100.0%

Source: The CIRC

Notes:

(1) Ranking based on market shares in 2014.

(2) A subsidiary of our Company.

The following table sets forth the market shares of the top ten life and health insurance companies in terms of Original Premium Income in the PRC life and health insurance market in 2014 and their respective market shares in the first half of 2015, according to data published by the CIRC:

	Life and health insurance: market share(1)	2014	First half of 2015
1	China Life Insurance Company Ltd. ("China Life")	26.1%	24.8%
2	China Ping An Life Insurance Company Co., Ltd. ("Ping An Life")	13.7%	13.0%
3	New China Life Insurance Company Ltd. ("New China Life")	8.7%	7.7%
4	China Pacific Life Insurance Co., Ltd.	7.8%	6.6%
5	PICC Life Insurance Company Limited	6.2%	7.1%
6	Taikang Life Insurance Co., Ltd.	5.4%	4.3%
7	Taiping Life Insurance Co., Ltd.	5.1%	5.3%
8	Anbang Life Insurance Co., Ltd.	4.2%	3.9%
9	Sino Life Insurance Co., Ltd.	2.9%	3.8%
10	China Post Insurance Co., Ltd.	1.7%	2.3%
	Others	18.2%	21.2%
	Total	100.0%	100.0%

Source: The CIRC

Note:

(1) Ranking based on market shares in 2014.

Product Structure

Motor insurance and commercial property insurance are the main types of insurance products in the PRC P&C insurance market. According to the Annual Report of China Insurance Market 2015 (2015中國保險市場年報) published by the CIRC, motor, commercial property, agricultural, liability, credit and surety insurance accounted for 73.1%, 5.1%, 4.3%, 3.4%, 2.7% and 2.6%, respectively, of the total premium income in the PRC P&C insurance market in 2014. Life insurance, health insurance and accident insurance are the main types of insurance products in the PRC life and health insurance market. According to the Annual Report of China Insurance Market 2015, life, health and accident insurance accounted for 85.9%, 11.2% and 2.9%, respectively, of the total premium income in the PRC life and health insurance market in 2014. With respect to life insurance, its main product types include participating products, ordinary products, as well as universal and investment-linked products, accounting for 51.3%, 33.9% and 0.7%, respectively, of the total premium income in the PRC life and health insurance market.

Along with the PRC insurance industry's further development and increasing efforts on insurance product innovation driven by industry policies, the product structure in the PRC insurance market is expected to become increasingly diversified. Emerging P&C insurance products, such as credit, liability, catastrophe and specialty insurance, as well as protection-type life insurance products, have developed in recent years and are expected to continue growing rapidly in the future. Technological innovations, such as Internet and "big data", are also expected to facilitate the introduction and development of emerging insurance products.

REINSURANCE

Reinsurance refers to the arrangement whereby the insurers or reinsurers transfer part of the risks and liabilities written to one or more reinsurance or insurance companies by entering into reinsurance contracts based on the original insurance (or, in some cases, reinsurance) contracts. Reinsurance is also referred to as the insurance of insurance. A company that cedes insurance business through a reinsurance arrangement is known as a cedant or a ceding company, whereas a company accepting reinsurance business is known as a reinsurer. If a reinsurer cedes the reinsurance business it writes, and the business is accepted by another reinsurance company or insurance company, such arrangement is known as retrocession. Such ceding reinsurer is known as a retrocedant and the other reinsurance company or insurance company that accepts the retrocession business is known as a retrocessionaire.

Under a reinsurance contract, the cedant pays premium to the reinsurer, and the risks and liabilities the cedant writes are transferred to the reinsurer accordingly. According to the terms and conditions of the reinsurance contract, the reinsurer makes payments to the cedant with respect to the claims incurred under the original insurance (or, in some cases, reinsurance) contract.

Reinsurance business has international characteristics, and the reinsurance industry is highly globalised. The cedants can maximise the diversification of business risks through reinsurance transactions with reinsurers worldwide. Meanwhile, the globalisation of reinsurance business can also garner global reinsurance resources and enhance the overall ability of the insurance industry to protect against risks.

Type of Reinsurance Arrangement

Reinsurance arrangement mainly consists of two types, namely, treaty reinsurance and facultative reinsurance.

Treaty reinsurance refers to the reinsurance arrangement whereby the cedant seeks reinsurance for a certain type of insurance (or, in some cases, reinsurance) or specific risks within a certain period of time. The cedant enters into treaty reinsurance contracts in advance with the reinsurer, which set forth their rights and obligations, including type of treaty contract, scope of business, treaty limit, account settlement and exclusions from reinsurance coverage. Once both parties enter into a treaty reinsurance contract, the reinsurer is obliged to reinsure, and the cedant commits to cede, all the business that falls under the terms and conditions as specified in the standing arrangement. In general, treaty reinsurers do not separately evaluate each individual risk assumed under their treaties and are largely dependent on the original risk underwriting decisions made by cedants.

Facultative reinsurance refers to the reinsurance arrangement under which a separate contract is negotiated between cedant and reinsurer in respect of each original insurance (or, in some cases, reinsurance) contract to be reinsured, enabling the reinsurer to decide whether to underwrite with respect to each risk. Facultative reinsurance is typically purchased by ceding companies for risks not covered by their reinsurance treaties, for amount in excess of the sum insured of the reinsurance treaties and for unusual and complex risks. The ability to evaluate separately each risk reinsured generally enables the reinsurer to price the contract to reflect more accurately the risks involved.

Form of Cession

Reinsurance can be written on either a proportional basis or a non-proportional basis.

For proportional reinsurance, the retention of the cedant and the liability of the reinsurer are determined based on the sum insured. Specifically, the cedant and the reinsurer share the premiums as well as the losses based on a certain percentage of the sum insured.

For non-proportional reinsurance, the liabilities of both parties to the reinsurance arrangement are determined based on losses. Only when the losses incurred by the cedant exceed a pre-agreed amount or certain standards, the reinsurer is liable for all or a specified portion of the excess loss. Otherwise, even if loss events occur, the reinsurer is not obliged to make any payment.

Business Channels

Reinsurance can be written through two types of business channels, namely, the direct channel through which the negotiation and underwriting is conducted by reinsurers directly with ceding companies, and the brokerage channel through which the reinsurance business is introduced to reinsurers by reinsurance brokers.

Major Participants and Competitive Landscape in Global Reinsurance Market

According to the Global Reinsurance — Segment Review (September 2015) published by A.M. Best, the gross written reinsurance premiums of the global top 50 reinsurers in 2014 were approximately US$222.6 billion, representing a decrease of approximately 1% as compared to 2013. For the competitive landscape of the P&C reinsurance and life and health reinsurance markets, please refer to the sections headed "Business — Competition — Competition in the P&C Reinsurance Market" and "Business — Competition — Competition in the Life and Health Reinsurance Market."

The following table sets forth the global top ten reinsurers in 2014 in terms of gross written reinsurance premiums:

Ranking	Company	Gross written reinsurance premiums	Non-life gross written reinsurance premiums	Life gross written reinsurance premiums
			(US$ in millions)	
1	Munich Reinsurance Co.	39,035	20,337	18,698
2	Swiss Re Ltd.	33,276	20,288	12,988
3	Hannover Rück SE	17,457	9,607	7,850
4	Berkshire Hathaway Inc.	14,919	9,889	5,030
5	SCOR SE ("SCOR")	13,756	5,999	7,757
6	Lloyd's[1]	13,199	13,185	14
7	Reinsurance Group of America Incorporated ("RGA")	9,118	—	9,118
8	**China Reinsurance (Group) Corporation**	8,506	5,072	3,434
9	PartnerRe Ltd.	5,932	4,667	1,265
10	Everest Re Group, Ltd.	5,749	5,749	—

Source: Global Reinsurance — Segment Review (September 2015) published by A.M. Best

Note:

(1) Gross written reinsurance premiums for certain companies set out in the table above may also include Lloyd's Syndicate reinsurance premiums written when applicable.

THE PRC REINSURANCE INDUSTRY

Overview

The PRC reinsurance market has experienced rapid development in recent years. According to the data published by the CIRC, the total premiums ceded by the PRC insurance industry increased by 34.1% from RMB86.4 billion in 2012 to RMB115.9 billion in 2013. In the PRC reinsurance industry, reinsurance is primarily written in the form of treaty, and a majority of reinsurance is written on a proportional basis.

History and Development of the PRC Reinsurance Industry

In 1949, The People's Insurance Company of China (中國人民保險公司) was established and gradually commenced reinsurance business. Since 1988, the Reinsurance Department of The People's Insurance Company of China commenced domestic compulsory reinsurance business in the PRC according to the relevant regulatory requirement. Under the compulsory reinsurance regime, an insurer was required to cede 30% of its entire insurance business to The People's Insurance Company of

China. In 1995, the PRC Insurance Law was promulgated, and the compulsory reinsurance ratio was reduced from 30% to 20%. Starting from 1 January 2003, the compulsory reinsurance ratio in China was reduced by 5% each year in the subsequent four years. By 1 January 2006, the compulsory reinsurance regime was completely abolished in the PRC.

In 1996, PICC Reinsurance Company Limited (中保再保險有限公司) was established on the basis of the Reinsurance Department of The People's Insurance Company of China, and in 1999 it was renamed as China Reinsurance Company (中國再保險公司), which was the predecessor of our Group. Foreign reinsurance companies have gradually established branches in the PRC since 2003. According to the data published by the CIRC, as at 30 June 2015, we were the only domestic reinsurance group in the PRC. In addition, eight foreign reinsurance companies had branches in the PRC and more than 200 foreign reinsurance companies participated in the PRC reinsurance market on an offshore basis.

Market Size and Status of Market Development

According to the data published by the CIRC, the total premiums ceded by the PRC insurance industry reached approximately RMB115.9 billion in 2013, with a cession ratio of approximately 6.7%.

According to the data published by the CIRC, the total premiums ceded by the PRC P&C insurance industry were approximately RMB85.9 billion in 2013, with a cession ratio of 13.3%. The following table sets forth the total premiums ceded by and the cession ratios of the PRC P&C insurance industry between 2011 and 2013:

	2011	2012	2013
	(RMB in billions, except percentages)		
Total premiums ceded	76.2	72.3	85.9
Original Premium Income	477.9	553.0	648.1
Cession ratio	15.9%	13.1%	13.3%

Source: The CIRC

According to the data published by the CIRC, the total premiums ceded by the PRC life and health insurance industry were approximately RMB30.0 billion in 2013, with a cession ratio of 2.8%. The following table sets forth the total premiums ceded by and the cession ratio of the PRC life and health insurance industry between 2011 and 2013:

	2011	2012	2013
	(RMB in billions, except percentages)		
Total premiums ceded	11.4	14.1	30.0
Original Premium Income	956.0	995.8	1,074.1
Cession ratio	1.2%	1.4%	2.8%

Source: The CIRC

With the development of the PRC life and health insurance industry in recent years, the demand of primary insurance companies for financial reinsurance has grown rapidly. Financial reinsurance generally refers to reinsurance business in which ceding companies arrange reinsurance more for the purpose of improving their financial condition than for transferring risk. Unlike traditional reinsurance, financial reinsurance typically has relatively large premium volume with relatively volatile business demand, and is often ceded on an ad-hoc basis. In recent years, the development of the financial reinsurance business has driven the rapid growth of total premiums ceded by the PRC life and health insurance industry.

Compared with major developed countries, the cession ratios of the PRC P&C insurance industry and life and health insurance industry are relatively low. According to the data published by Axco, the cession ratio of the P&C insurance industry in the United States, Germany and United Kingdom was 48.1%, 20.1% and 19.6%, respectively, in 2013, and the cession ratio of the life and health insurance industry in the United States, Japan and Singapore was 25.5%, 5.1% and 4.5%, respectively, in 2013.

Major Market Participants

According to the data published by the CIRC, there was one domestic reinsurance group, eight foreign reinsurance companies with branches established in the PRC and more than 200 foreign reinsurance companies participating in the PRC reinsurance market on an offshore basis as at 30 June 2015. In addition to professional reinsurance companies, some primary insurance companies in the PRC are also engaged in reinsurance business.

The following table sets forth the ranking of the reinsurance entities that operate in the PRC in terms of gross written reinsurance premiums in 2013:

Rank	Company[1]	Gross written reinsurance premiums
		(RMB in millions)
1	**China Reinsurance (Group) Corporation**	47,530.1
2	Swiss Reinsurance Company Ltd, Beijing Branch	17,676.1
3	Hannover Rück SE, Shanghai Branch	14,218.4
4	Munich Re, Beijing Branch	12,121.0
5	SCOR SE, Beijing Branch	3,790.7
6	Taiping Reinsurance Co., Ltd, Beijing Branch	1,340.4
7	General Reinsurance AG, Shanghai Branch	369.0
8	Lloyd's Insurance Company (China) Limited	295.8

Source: The CIRC

Note:

(1) Reinsurance Group of America, Shanghai Branch, was established in September 2014, and accordingly no gross written reinsurance premium was recorded for it in 2013.

INSURANCE FUNDS DEPLOYMENT

Type of Investment

According to the data published by the CIRC, the PRC insurance funds as at 31 December 2014 reached RMB9,331 billion, an increase of 21.4% as compared to 31 December 2013, and represented 91.9% of the total assets of the PRC insurance industry. According to the data published by the CIRC, approximately 38.2% of insurance funds were invested in bonds, 27.1% were invested in bank deposits, 11.1% were invested in equities and investment funds and approximately 23.6% were invested in other assets as at 31 December 2014. The investment return for the PRC insurance industry was 3.6%, 3.4%, 5.0% and 6.3% in 2011, 2012, 2013 and 2014, respectively. The proportion of the PRC insurance funds invested in bonds and bank deposits declined from 79.1% as at 31 December 2011 to 65.3% as at 31 December 2014. As at 31 December 2014, there were 18 insurance asset management companies in the PRC.

The following table sets forth the balance of insurance funds as at the indicated dates and the investment return of the PRC insurance industry between 2011 and 2014.

Year	Insurance funds as at 31 December	Investment return for the year ended 31 December
	(RMB in billions, except percentages)	
2011	5,547	3.6%
2012	6,850	3.4%
2013	7,687	5.0%
2014	9,331	6.3%

Source: The CIRC

Regulations on the Insurance Funds Deployment

In recent years, the CIRC promulgated a series of key regulations to further expand the investment scope of insurance funds. Currently, such investment scope includes bank deposits, bonds, stocks, investment funds, real estate, infrastructure projects, equity interest of unlisted companies, wealth management products of banks, trust schemes, financial derivatives and overseas investments, among others. While liberalising insurance funds deployment, the relevant regulations have also imposed more stringent requirements on the investment capability and risk management ability of insurers and reinsurers. For details, please refer to the section headed "Supervision and Regulation."

MAJOR DRIVERS IN THE PRC INSURANCE AND REINSURANCE INDUSTRIES

We believe the major drivers in the PRC insurance and reinsurance industries include the following:

Rapid development of the PRC economy and increase in insurance demand

According to the data published by the National Bureau of Statistics of China, the PRC's nominal GDP grew by 8.2% from 2013 to 2014 and reached approximately RMB63,646 billion, ranked second worldwide. The CAGR of the PRC's nominal GDP growth (in terms of US dollars) was 15.4% between 2009 and 2014, higher than the global average of 5.5% during the same period, according to the data published by the World Bank.

The rapid growth of the PRC economy is an important growth driver of the PRC insurance industry and has promoted the growth of the number of motor vehicles, enterprise size, fixed asset investments and foreign trade, which in turn has led to increasing demand for insurance. According to the data published by the National Bureau of Statistics of China, the total number of private motor vehicles increased at a CAGR of 22.0% from 46 million in 2009 to 123 million in 2014, which has directly increased the demand for motor insurance. According to the data published by the National Bureau of Statistics of China, the total assets of industrial enterprises in the PRC increased at a CAGR of 13.4% from RMB49,369 billion in 2009 to RMB92,524 billion in 2014, which has increased the demand for insurance products, including commercial property and liability insurance. According to the data published by the National Bureau of Statistics of China, the total amount of fixed asset investments in the PRC increased at a CAGR of 18.0% from RMB22,460 billion in 2009 to RMB51,276 billion in 2014. The rapid accumulation of fixed assets facilitated a relatively rapid growth of commercial property, engineering and liability insurance. Moreover, the size of foreign trade of the PRC also achieved rapid growth. According to the data published by the National Bureau of Statistics of China, the total amount of imports and exports of the PRC increased at a CAGR of 14.3% from US$2,208 billion in 2009 to US$4,303 billion in 2014, which resulted in higher demand for insurance products including cargo, marine hull and credit insurance.

Increased demand for insurance arising from the accumulation of wealth, urbanisation and demographic changes

Along with the rapid development of the PRC economy, the income of the PRC residents increased rapidly as well, which has increased the insurance purchasing power of households and individuals in the PRC. According to the data published by the National Bureau of Statistics of China, the disposable income per capita of the PRC residents was RMB20,167 in 2014, representing an increase of 10.1% as compared to 2013. With the accumulation of wealth, the PRC residents' awareness of and demand for life and properties protection has increased, which is expected to stimulate the long-term development of the PRC insurance industry.

With continued urbanisation, urban residents with higher disposable income are playing an increasingly more important role in the economy. According to the data published by the National Bureau of Statistics of China, the proportion of urban population in the PRC increased from 48.3% in 2009 to 54.8% in 2014. According to the statistics published by the United Nations, the proportion of urban population in the PRC is expected to reach 76% by 2050. Given the ongoing urbanisation, the PRC residents are expected to have higher awareness of their health and wealth management, which in turn is expected to lead to a continuous growth of insurance customer base and coverage.

The aging population and the relatively insufficient social security in the PRC have resulted in a continued growth in the demand for health, pension and senior care insurance products. According to the data published by the National Bureau of Statistics of China, the total population aged 65 or above in the PRC reached approximately 138 million as at the end of 2014, representing 10.1% of the total population in the PRC, compared to 8.5% at the end of 2009. The aging population in the PRC has increased the willingness of a growing number of residents in the PRC to purchase health insurance, pension and retirement products. It is expected that this trend will drive the long-term growth of health and pension insurance businesses. In addition, the New Ten Guidelines encourage the innovation in pension products and services, customised pension plans according to the needs of different groups, development of saving-type pensions for individuals, and launch of pilot programmes of tax deferred pension. We believe that commercial individual pension insurance will have significant growth potential, driven by the PRC residents' and the government's demand as well as tax policy support.

Government incentives promote the importance of PRC insurance industry and the development of emerging insurance products

As part of financial reforms, the importance of the insurance industry has been rising. In November 2013, the Third Plenary Session of the Eighteenth CPC Central Committee made overall plans for deepening reforms, setting out the target to modernise the financial industry, including the insurance industry, so as to promote the innovations and sustainable development of the insurance industry. In August 2014, the New Ten Guidelines were promulgated by the State Council, which elevated commercial insurance to an important pillar of the social security system and the financial system. The New Ten Guidelines set an insurance penetration target of 5.0% and an insurance density target of RMB3,500 per capita by 2020. The New Ten Guidelines also include a number of directives to accelerate the development of the PRC insurance industry and highlight the importance of modern insurance services in enhancing the modern financial system, creating more employment opportunities, promoting economic growth, innovating in social governance, ensuring social stability, enhancing social security and improving the quality of living of PRC residents.

In recent years, the PRC Government also launched a series of policies promoting the rapid development of emerging insurance products. The New Ten Guidelines encourage the development of insurance products, including pension, commercial health, liability, catastrophe and agricultural insurance. For pension and commercial health insurance, the New Ten Guidelines encourage the launch of innovative pension products and services and the development of diversified health insurance services. For liability insurance, the New Ten Guidelines place focus on areas such as environmental pollution, food safety, medical liability, medical accident, intern safety and campus security, and explore pilot programmes for compulsory liability insurance. For catastrophe insurance, the New Ten Guidelines direct that commercial insurance be used as a platform to establish a catastrophe insurance system, so as to explore effective protection against disasters such as typhoon, earthquake, landslide, mudslide, flood and forest fire. For agricultural insurance, the New Ten Guidelines propose to expand the coverage of agricultural insurance, begin pilot programme for agriculture revenue insurance and explore new products and services, such as weather index insurance. In May 2015, the Notice on the Commencement of Individual Income Tax Policy Pilot Programme for Commercial Health Insurance (關於開展商業健康保險個人所得稅政策試點工作的通知) was promulgated. Individuals in the pilot zone are entitled to preferential tax treatment in respect of purchases of certain categories of commercial health insurance products. which is expected to promote the development of commercial health insurance market. These policies are expected to promote the rapid development of innovative insurance business and drive continuous diversification of insurance products, creating growth opportunities for the PRC insurance industry.

Increasing role of insurance in wealth management

With the development of the PRC economy, social wealth, household and individual investable assets are expected to grow rapidly. According to the National Bureau of Statistics of China, as at 31 December 2014, personal deposits in PRC financial institutions amounted to RMB50,783 billion. As a result, the demand for wealth management is expected to increase significantly. Insurance products, as wealth management tools with distinctive features, can offer both stable investment return and certain risk protection. The New Ten Guidelines also set development goals that insurance should "be a primary means of risk management and wealth management for government, enterprises and household." With an increasing affluent population in the PRC, we believe that insurance has strong growth potential in the area of wealth management.

Modern wealth management focuses on not only the maintenance and appreciation of the value of personal wealth, but also the planning of cash flow and wealth inheritance. Pension-related insurance products are designed to focus on not only the maintenance and appreciation of pension funds, but also advance planning of the cash flow after the retirement of the insured. Hence, such products have become an important component of household or individual wealth portfolio in developed countries. In addition, taking into consideration estate tax that may be imposed in the PRC, insurance products, such as whole life insurance, may become an important tool for family wealth inheritance. With the wealth accumulation of the PRC residents, the demand for commercial pension and whole life insurance products is expected to increase.

New growth opportunities for the PRC insurance industry arising from the "Go Global" strategy and RMB internationalisation

With increasing government support of opening-up of the PRC economy, PRC enterprises continue to expand in international markets and the RMB plays an increasingly important role in the global market. These trends are expected to bring new growth drivers to the PRC insurance industry.

With the implementation of the "Belt and Road Initiatives" and "Go Global" strategies, the PRC enterprises continue to expand globally through overseas investment and business expansion. As part of the execution of the "Go Global" strategy, the overseas investment and business development of PRC enterprises generate demand for insurance products and services, which is expected to bring growth opportunities for the PRC insurance industry.

In recent years, the RMB internationalisation has accelerated. According to the RMB Internationalisation Report 2015 published by the PBOC, the RMB has become the second largest trade finance currency, the fifth largest settlement currency and the sixth largest foreign exchange transaction currency worldwide as at the end of 2014, with an aggregate balance of deposits in major offshore markets of RMB1,986.7 billion. As a result, demand for RMB financial services by offshore individuals and enterprises has been increasing, which encourages offshore financial centres to actively expand RMB-related business and financial products. In particular, RMB-denominated life and health insurance products have received positive market acceptance. According to OCI, the percentage of RMB-denominated premiums arising from new individual policies in Hong Kong in 2014 was 10% of the total premiums arising from new individual policies in Hong Kong during the same year, with a total size exceeding RMB9.0 billion, which has brought new growth opportunities for the PRC insurance industry.

The rapid growth and upgrade of product structure of the PRC primary insurance industry as a major driver for the development of the PRC reinsurance industry

The rapid growth of the PRC primary insurance industry serves as a key driver for the growth of the PRC reinsurance industry. In order to support the rapid growth of businesses and maintain stable operations, primary insurers have significant demand for capital relief, risk transfer and solvency improvement, and reinsurance is the principal means for the PRC primary insurers with regard to risk management and capital relief.

For P&C reinsurance, new market players, including new primary insurance companies, captive insurance companies and mutual insurance companies, have significant demand for underwriting capacity expansion, technical expertise enhancement and model pricing, which generate potential new demand for reinsurance. Driven by reforms of the PRC insurance market, the product range in the primary insurance market is expected to become increasingly diversified and customised. As new product development requires a broad range of technical and data services, the cooperation between primary insurance and reinsurance companies is expected to be enhanced significantly, which is expected to drive the fast growth of the reinsurance industry. According to the New Ten Guidelines, the policy-supported businesses, such as agricultural, credit, surety and catastrophe insurance, have become important areas for the future development of the PRC insurance industry. Reinsurance is expected to play a key role in technical support and risk diversification and embrace significant development opportunities in these areas.

For life and health reinsurance, insurance products including critical illness, cancer and mid- to high-end medical insurance have gradually developed in the PRC market. As these insurance products require sophisticated technical support in product design, actuarial pricing and risk assessment, the expertise transfer function of reinsurance will become increasingly important, which is expected to drive the growth of the reinsurance industry. In addition, as the PRC regulators continue to liberalise the pricing for life and health insurance products, the primary insurers will have greater pricing flexibilities, and the application of "big data" is expected to lead to customer-oriented integrated marketing strategies. As such, life and health insurance products are expected to become more diversified, segmented and differentiated with higher requirements of risk pricing and risk management, and the in-depth cooperation with the primary insurance industry is expected to become a new driver for the reinsurance industry accordingly. The promulgation of the relevant preferential tax policies with respect to pension and commercial health insurance is expected to promote the development of such products and emergence of new insurance products. New insurance products and new risks (including longevity risk), which require tools such as reinsurance to manage, may emerge, thereby creating new growth opportunities for the PRC life and health reinsurance industry.

The introduction of a risk-oriented solvency regulatory framework promotes the healthy and sustainable development of the PRC reinsurance industry

The CIRC has recently promulgated the regulatory provisions relating to the C-ROSS regime, which is expected to be implemented following a transition period. The C-ROSS regime imposes a risk-based capital requirement, aiming to strengthen insurance companies' risk management and corporate governance. The implementation of the C-ROSS regime will impose higher risk management requirements on primary insurance companies, which is expected to increase their reinsurance demand for risk transfer and diversification, leading to new business and development opportunities for the PRC reinsurance industry.

Under the C-ROSS regime, insurance products such as credit and surety, commercial property, engineering, agricultural and marine hull insurance are expected to face relatively high risk capital requirements. The differentiation of risk capital requirements is expected to lead to significant changes in reinsurance business composition and increase the reinsurance demand in relation to insurance products with a high risk capital requirement, which are expected to become a major driver for the development of the reinsurance industry under the regulatory regime transformation. In addition, the C-ROSS regime will impose more rigorous requirements on reinsurers that engage in reinsurance business in the PRC by placing more importance on the counterparty credit risk involved in reinsurance transactions and reinsurers' local underwriting capacity, which is expected to promote the healthy and sustainable development of the PRC reinsurance industry.

Growth opportunities for the PRC insurance and reinsurance industries arising from the application of Internet, "big data" and other technologies

In recent years, Internet and "big data" related technological innovations have exerted significant impact on the development of the PRC insurance industry. Such technological innovations have brought significant opportunities for the sustainable development of the PRC insurance industry, primarily in data accumulation and analysis, product innovation and distribution channel expansion.

For data accumulation and analysis, the development of Internet and "big data" provides a new approach for insurance companies to collect and analyse data, which is expected to enhance industry growth potential, risk management capabilities, differentiated competitiveness and insurance funds deployment. For product innovations, insurance companies are able to develop differentiated products and services based on the characteristics and requirements of different customers through Internet and "big data" based analysis. For distribution channel expansion, the online sales channel of the insurance industry has experienced strong growth in recent years. The distribution channels of the insurance industry have become more diversified with strong growth in mobile Internet and online to offline (O2O) interactions. With the wide use of information technology in the insurance market, insurance companies are able to provide one-stop services to customers directly through the Internet, which makes insurance sales channels more efficient and accessible.

Reinsurance companies have strong advantages in data accumulation, technical expertise and talent through their long history of operations, and can provide strong support for Internet and "big data" related innovation of the primary insurance industry, thereby creating extensive opportunities for cooperation in terms of new product development, data mining and cooperation in technical expertise. Such in-depth cooperation arising from the innovation and development of the insurance industry is a sustainable driver of, and creates key opportunities for, the future development of the PRC reinsurance industry.

PRC REGULATORY OVERVIEW

The insurance industry in the PRC is regulated by the CIRC and its local bureaux. The legal provisions constituting the legal framework for supervising and regulating insurance activities in the PRC mainly include the PRC Insurance Law and the administrative rules, regulations and other regulatory documents promulgated pursuant to the PRC Insurance Law.

Regulatory Authority — the CIRC

The CIRC was set up on 18 November 1998. According to the Notice relating to the Establishment of the China Insurance Regulatory Commission of the State Council (國務院關於成立中國保險監督管理委員會的通知) implemented on 14 November 1998, the CIRC is the competent authority regulating commercial insurance in China and a regulatory body directly under the State Council. The CIRC performs administrative management functions as authorised by the State Council and centrally supervises and regulates the insurance market in a uniform way in accordance with laws and regulations. The major tasks of the CIRC include formulating policies and regulations as well as developing industry plans in relation to commercial insurance, conducting supervisory administration and providing business guidelines on the operational activities of insurance enterprises in compliance with law, maintaining the order of the insurance market, administering investigations and punishment of insurance enterprises that violate the law, protecting the interests of the insured, cultivating and developing the insurance market, promoting reform of the insurance industry improving the insurance market system, facilitating fair competition among insurance enterprises, establishing the assessment and warning systems for risks in the insurance market, preventing and mitigating risks in the insurance market, facilitating stable and sound operation of insurance enterprises and healthy development of businesses.

According to the Notice relating to the Principal Responsibilities, Internal Organisation and Personnel Establishment of the China Insurance Regulatory Commission (國務院辦公廳關於印發中國保險監督管理委員會主要職責內設機構和人員編製規定的通知) issued by the General Office of the State Council on 7 July 2003, and the Catalogue for Administrative Approvals of the CIRC (中國保監會行政審批事項目錄) and information published on the CIRC website, the principal authorities of the CIRC include:

- drafting laws and regulations for the supervision and regulation of the insurance industry and formulating industry rules and regulations of the insurance industry;

- approving the establishment of insurance companies and their branches, insurance group companies and insurance holding companies; jointly with the relevant authorities approving the establishment of insurance asset management companies; approving the establishment of representative offices by overseas insurance institutions; approving the establishment of insurance intermediaries such as insurance agencies, insurance brokerage companies, insurance loss adjusting companies and their respective branches; approving the establishment of overseas insurance institutions by domestic insurance and non-insurance institutions; approving mergers, splits, changes of corporate forms and dissolutions of insurance institutions and making decisions on the receivership and the appointment of receivers; participating in and overseeing the bankruptcy and liquidation proceedings of insurance companies;

- examining and confirming the qualifications of the senior management members in various types of insurance institutions; setting the basic qualification standards for insurance practitioners;
- approving the terms and premium rates of insurance policies related to public interests, statutory mandatory insurance and newly developed life and health insurance policies; supervision of other insurance policies through registration of the insurance terms and premium rates of such insurance;
- supervising the solvency and market activities of insurance companies; and
- formulating the relevant rules and regulations on the basis of laws and policies of the PRC Government on the deployment of insurance fund, and supervising the deployment of funds by insurance companies.

Regulatory and Legal Framework

The PRC Insurance Law is the most important law in the regulatory and legal framework for the PRC insurance industry. The PRC Insurance Law was passed on 30 June 1995, implemented on 1 October 1995 and amended four times in 2002, 2009, 2014 and 2015, respectively.

The PRC Insurance Law implemented on 1 October 1995 covers general principles, insurance contracts, insurance companies, insurance operational rules, supervision and regulation of the insurance industry, insurance agencies and insurance brokerage companies, liabilities and supplementary provisions. It was the first basic insurance law of the PRC.

In 2002, the PRC Insurance Law was amended for the first time. Those amendments mainly included (i) fulfilling the undertakings made upon accession into the WTO, which was mainly reflected by the amendment to the provision related to compulsory reinsurance cession ratio, namely, the requirement for 20% compulsory cession ratio for each non-life insurance business was abolished; (ii) strengthening the protection of the interests of the insured; (iii) enhancing the supervision on the insurance, such as the supervision on solvency of insurance companies; (iv) supporting the reform and development of the insurance industry; (v) aligning insurance business in China to international practices, such as allowing P&C insurance companies to engage in accident and short-term health insurance business.

In 2009, the PRC Insurance Law was amended for the second time. Major amendments include: firstly, further stipulating the rights and obligations of the parties participating in insurance activities to enhance the protection of the interests of the insured, for example, by setting limitations on the termination right of insurers to an insurance contract on the basis of non-compliance with the full disclosure obligation by the policyholder, and requiring the party providing standard contractual clauses to stipulating the rights and obligations of the parties pursuant to the principle of fairness; secondly, further improving the regulatory framework of the insurance industry, including : (i) improvements of the forms of organisation of insurance companies; (ii) stricter requirements on the conditions for establishing insurance companies and qualification requirements for senior management; (iii) broadening of business scope for investment companies and investment scope for insurance funds; (iv) improvements of the business rules of insurance companies; (v) enhancement to risk avoidance mechanism in the insurance industry; (vi) improvement of the market exit mechanism for insurance companies; (vii) improvement of the management over insurance intermediaries; thirdly stronger self-regulation for the insurance industry; fourthly clearly defined duties of the insurance regulatory authorities, and enhanced supervisory means and measures; fifthly further clarification on legal liabilities to crack down on unlawful insurance activities.

In 2014, the PRC Insurance Law was amended for the third time. Primary amendments include revision of the provisions related to the actuarial and compliance reporting systems for the insurance company.

In 2015, the PRC Insurance Law was amended for the fourth time. Such amendments primarily include: (i) the deletion of the clauses related to the requirement the establishment of an offshore representative office by an insurance company shall be subject to the approval of the insurance regulatory authorities under the State Council; (ii) abolishment of the requirement that the individuals who are engaged in insurance sales for an insurance company shall obtain the qualification certificates issued by the insurance regulatory authorities, and replace it with the requirement that the aforesaid individuals should be of good character and have the professional competence required for insurance sales, and the deletion of all provisions in the PRC Insurance Law related to the requirements that the aforesaid individuals shall obtain the qualification certificates stipulated in the PRC Insurance Law; (iii) the deletion of the provisions that individual insurance agents, agency practitioners of insurance agencies and brokerage practitioners of insurance brokers shall obtain the qualification certificates issued by the insurance regulatory authorities and instead the new revision only requires that the aforesaid individuals should be of good character and have professional competence required in transacting insurance agency and insurance brokerage business, and has deleted all provisions related to the requirements that the aforesaid individuals shall obtain qualification certificates stipulated in the PRC Insurance Law; (iv) the abolishment of the requirements that the merger, division, change of corporate structure, establishment of branch offices and dissolution of insurance agencies and insurance brokerages shall be subject to the approval of the insurance supervision and regulatory authority.

Since the promulgation of the PRC Insurance Law in 1995, the insurance supervision and regulatory authority has promulgated a series of departmental rules and regulations and other regulatory documents pursuant to the PRC Insurance Law, which covered almost all aspects of insurance operations.

Establishment and Business Operation Qualification

Legal Framework

The PRC insurance laws and regulations set out different requirements on establishment and business operation qualification for different entities engaged in insurance business, including insurance companies, insurance intermediaries and insurance asset management companies.

For the establishment of insurance companies, in addition to the PRC Insurance Law, the important laws and regulations also include the Administrative Regulations for Insurance Companies (保險公司管理規定) implemented on 1 October 2009. The Administrative Regulations for Insurance Companies (保險公司管理規定) set out regulations on the organisation structuring of insurance companies, branch establishment, change, dissolution and deregistration of organisation, branch management, insurance operation and supervision and regulation. According to the Administrative Regulations for Insurance Companies (保險公司管理規定), the provisions thereof apply to reinsurance companies unless otherwise provided by laws, administrative regulations and the CIRC.

Qualification of Shareholders Investing in Insurance Companies

According to the PRC Insurance Law, the Administrative Regulations for Insurance Companies (保險公司管理規定) and the Administrative Measures on Equity of Insurance Companies (保險公司股權管理辦法) implemented on 1 June 2014, unless otherwise provided in laws and regulations, those acquiring equity interests in insurance companies must be domestic corporate entities in the PRC or overseas financial institutions that satisfy prescribed conditions, except for those purchasing the shares of listed insurance companies through stock exchanges.

A domestic enterprise must satisfy the following requirements for its equity investment in an insurance company:

- having a stable and sound financial condition and having been profitable;
- having a good credit and tax payment record;
- having no record of material non-compliance with laws or regulations for the past three years;
- for financial institutions, having complied with prudent regulatory indicators as required by relevant financial regulatory authorities; and
- having met other requirements pursuant to applicable laws and administrative regulations and other requirements of the CIRC.

An overseas financial institution must satisfy the following requirements for its investment in an insurance company:

- having a stable and sound financial condition and having been profitable for the past three consecutive accounting years;
- having total assets of not less than US$2 billion at the end of the preceding year;
- its long-term credit rating having been given grade A or above by international rating agencies for the past three consecutive years;
- having no record of material non-compliance with laws or regulations for the past three years;
- having complied with prudent regulatory indicators as required by the financial regulatory authorities in its home jurisdiction; and
- having satisfied other requirements pursuant to applicable laws and administrative regulations and other requirements of the CIRC.

A principal shareholder who holds 15% or more of the equity interest of an insurance company, or less than 15% of the equity interest of an insurance company but controls the insurance company directly or indirectly, must also satisfy the following requirements:

- having the ability to make sustained capital contribution and having been profitable for the past three consecutive accounting years;
- having relatively abundant capital, and its net assets is not less than RMB200 million; and
- having a good reputation and a leading position in its industry.

The change of any shareholder whose capital investment accounts for 5% or more of a limited liability company's registered capital, or the change of any shareholder holding 5% or more of a joint stock company's shares, shall be subject to the CIRC's approval. If an investor holds 5% or more of the issued shares of a listed insurance company through a stock exchange, the insurance company must report it to the CIRC for approval within five days after the occurrence of such matter. The CIRC has the authority to require the transfer of all shares held by any shareholder who fails to meet the required qualification criteria set out in the Administrative Measures on Equity of Insurance Companies (保險公司股權管理辦法). Save for listed insurance companies, the change of any shareholder whose capital contribution or equity interest accounts for less than 5% of an insurance company's registered capital shall be submitted to the CIRC for filing within 15 days after the execution of the equity transfer agreement.

In addition to the above requirements, the Pilot Administrative Measures on Investment by Commercial Banks in Insurance Companies (中國保監會關於規範有限合夥式股權投資企業投資入股保險公司有關問題的通知) implemented on 5 November 2009 and the Notice of the CIRC on Regulating Equity Investment by Limited Partnership in Insurance Companies implemented on 17 April 2013 also set forth requirements on the qualification for the company of special types as shareholder of an insurance company.

Registered Capital

Under the PRC Insurance Law, the minimum registered capital for the establishment of an insurance company is RMB200 million and all of which must be paid-in monetary capital.

Under the Administrative Regulations for Insurance Companies (保險公司管理規定), insurance companies that are established with the minimum RMB200 million registered capital must increase their registered capital by RMB20 million for each branch office they apply for initial establishment in each province, autonomous region or directly-administered municipality of the PRC outside their domicile. An insurance company may apply for establishment of a branch office without increasing its registered capital as required if its registered capital already exceeds the minimal capital amount required for setting up branches. Insurance companies with a registered capital of RMB500 million or more may set up branches without increasing their registered capital as long as they have adequate solvency.

Conditions on Establishment of Insurance Companies

Under the PRC Insurance Law, the establishment of an insurance company shall satisfy the following conditions: (i) the major shareholders have sustainable profitability and good creditworthiness, have no material non-compliance with laws or regulations for the past three years, and have net assets of not less than RMB200 million; (ii) having articles of association in compliance with the PRC Insurance Law and the PRC Company Law; (iii) having a registered capital as required by the PRC Insurance Law; (iv) having directors, supervisors and senior management with competent expertise and working experience in this business; (v) having a sound organisational structure and management system; (vi) having business premises and equipments commensurate with its business operation as required; and (vii) other conditions as specified by laws, administrative regulations and the insurance regulatory authorities under the State Council.

Requirements for Establishment of Reinsurance Companies

Under the Requirements for Establishment of Reinsurance Companies (再保險公司設立規定) implemented on 17 September 2002, the establishment of a reinsurance company shall be subject to the CIRC's approval. Based on the scope of business operation, reinsurance companies can be classified as life reinsurance companies, non-life reinsurance companies and comprehensive reinsurance companies. The paid-in monetary capital of life reinsurance companies and non-life reinsurance companies shall be no less than RMB200 million or its equivalent amount in a freely convertible currency; the paid-in monetary capital of comprehensive reinsurance companies shall be no less than RMB300 million or its equivalent amount in a freely convertible currency. Contributions by foreign insurance companies shall be made in a freely convertible currency.

A Chinese shareholder investing in a reinsurance company shall satisfy the conditions on Chinese shareholders as provided in the Administrative Measures on Equity of Insurance Companies (保險公司股權管理辦法), while a foreign insurance company investing in a sino-foreign joint venture or wholly foreign owned reinsurance company shall satisfy the relevant undertakings made by the PRC upon accession into the WTO.

Qualifying for Conducting Insurance Business

Under the PRC Insurance Law, the establishment of an insurance company shall be subject to the approval by the insurance regulatory authority under the State Council. The establishment of an insurance institution is divided into two stages, namely the preparation for establishment and the commencement of business.

An applicant who satisfies the conditions on the establishment of an insurance company shall submit an application for the preparation for establishment to the insurance supervision and regulatory authority under the State Council, which may make the decision on the approval of the preparation for establishment after confirming that the conditions have been indeed satisfied. Within one year after receipt of the notice on approval for the preparation for establishment, the applicant shall complete the preparation works and submit an application for the commencement of business to the insurance supervision and regulatory authority under the State Council, which will issue an insurance business permit to the applicant if it makes a decision on the approval of the commencement of business after review. The insurance company may engage in business operation after obtaining the approval on commencement of business and insurance business permit and completing registration formalities with other registration authorities.

Under the PRC Insurance Law, the establishment of a branch office within the PRC by an insurance company shall be subject to the approval by the insurance supervision and regulatory authority under the State Council. Under the Administrative Regulations for Insurance Companies (保險公司管理規定), the levels of branch offices under an insurance company shall be branches, central sub-branches, sub-branches, business department and sales outlets successively. An insurance company is not required to establish branch offices level by level, but shall first establish a branch before carrying out business in each province, autonomous region or directly-administered municipality of the PRC outside of its domicile. Under the Administrative Regulations for Insurance Companies (保險公司管理規定), the establishment of a branch office by an insurance company shall also undergo the two stages of preparation for establishment and commencement of business. For those that have satisfied the relevant requirements, the insurance supervision and regulatory authority under the State Council will carry out inspection in respect of the commencement of business for a branch office, and issue an insurance business permit to the branch office if it decides for approval. The branch office of the insurance company whose establishment has been approved shall commence business after completing registration formalities with the industrial and commercial administrative departments and obtaining the business license with the approval documents and the branch office's insurance business permit.

Insurance Group Companies

The CIRC regulates insurance group companies in accordance with the PRC Insurance Law and the Measures for the Administration of Insurance Group Companies (Pilot) (保險集團公司管理辦法(試行)) (the "Group Administration Measures") implemented on 12 March 2010.

Conditions on Establishment

The establishment of an insurance group company shall satisfy the following conditions:

- having qualified investors and appropriate equity structure, and the investors jointly control 50% or more of the shares in each of the two or more insurance companies;

- among the insurance companies controlled by the investors, at least one has engaged in insurance businesses for at least six years and has been profitable for the past three years, with the net assets of no less than RMB1 billion and the total assets of no less than RMB10 billion.

The solvency of the insurance companies controlled by the investors satisfies the requirements of the CIRC and the insurance companies have sound corporate governance structure and internal control systems, and have no material non-compliance of laws or regulations for the past three years;

- having a minimum registered capital of RMB2 billion;

- having directors, supervisors and senior management who satisfy the eligibility requirements set forth by the CIRC;

- having a sound governance structure, integrated organisational structure, effective risk management and internal control management systems;

- having business premises and office equipments commensurate with its business development; and

- other conditions as specified by laws, administrative regulations and the CIRC.

The aforementioned conditions may be appropriately loosened upon approval by the CIRC in case of mergers and acquisitions as well as restructuring for the purpose of mitigating risks.

Investees

Insurance group companies may invest in insurance-related enterprises, including (i) insurance companies; (ii) insurance asset management companies; (iii) professional insurance agencies, insurance brokerage companies and insurance loss adjusting companies; and (iv) other insurance-related enterprises.

An insurance group may also invest in non-insurance financial enterprises such as commercial banks and non-financial enterprises related to insurance business according to the requirements of laws and regulations.

Corporate Governance

Legal Framework

Insurance companies shall establish a corporate governance structure mainly in accordance with the PRC Insurance Law, the PRC Company Law, the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (Pilot) (關於規範保險公司治理結構的指導意見(試行)) implemented on 5 January 2006, the Interim Measures on the Administration of Independent Directors of Insurance Companies (保險公司獨立董事管理暫行辦法) effective as at 6 April 2007, Opinions on Regulating the Bylaws of Insurance Companies (關於規範保險公司章程的意見) implemented on 1 October 2008, the Guidelines on the Operation of the Board of Directors of Insurance Companies (保險公司董事會運作指引) implemented on 1 October 2008, and the Administration of Directors, Supervisors and Senior Management Officers Qualifications of Insurance Companies (保險公司董事、監事和高級管理人員任職資格管理規定) as amended on 23 January 2014.

Corporate Governance Structure

Pursuant to the PRC Company Law and the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (關於規範保險公司治理結構的指導意見), insurance companies are required to hold shareholders' meetings (general shareholders' meetings) and establish the board of directors, the board of supervisors and the management, and to allocate and classify the powers of the same in the articles of association and relevant internal governance documents. Insurance companies must appoint a certain number of independent directors based on the size of the board, and establish an audit committee and a nomination and remuneration committee under the board of directors. Under the Group Administration Measures, the board of directors of insurance companies shall establish an audit committee, a nomination and remuneration committee, a strategic management committee, a risk management committee, and other specialised committees in accordance with the circumstances.

Pursuant to the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (關於規範保險公司治理結構的指導意見), insurance companies are required to establish an audit department, a risk management department and a compliance department to enhance internal control, risk management and compliance.

Under the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (關於規範保險公司治理結構的指導意見), insurance companies are required to set up an internal management system in respect of related transactions and file with the CIRC.

According to the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (關於規範保險公司治理結構的指導意見), material resolutions at shareholders' general meetings and board of directors' meetings of insurance companies must be reported to the CIRC within 30 days after passing the resolution. The board of directors of an insurance company is required to submit compliance report to the CIRC each year.

Pursuant to the Notice of the CIRC on Further Regulating Submission of Governance Report by Insurance Companies (中國保監會關於進一步規範報送〈保險公司治理報告〉的通知) promulgated and implemented on 1 June 2015, insurance companies and insurance asset management companies established pursuant to laws within the PRC are required to submit a corporate governance report for the prior year to the CIRC by May 15 in each year. The corporate governance report shall be drafted under the leadership of the chairman, and submitted to the CIRC after reviewed and approved by the board of directors, together with any dissenting opinions of independent directors on the contents of the corporate governance report. Before the board of directors reviews the report, the nomination and remuneration committee shall review the contents on incentive and restraint mechanism as set out in part two of the Corporate Governance Report of Insurance Companies (保險公司治理報告), and the audit committee shall review the contents on internal control assessment as set forth in part three and on internal audit as set out in part four of the Corporate Governance Report of Insurance Companies.

Articles of Association

Insurance companies are required to formulate the basic contents of their articles of association and set out the requirements on the formulation and modification procedures of the articles of association in accordance with the PRC Insurance Law, the PRC Company Law, the Opinions on Regulating the Articles of Association of Insurance Companies (關於規範保險公司章程的意見) and laws, regulations and regulatory requirements.

Internal Control, Compliance and Risk Management

Pursuant to the Principal Rules for the Internal Control of Insurance Companies (保險公司內部控制基本準則) implemented on 1 January 2011, an insurance company must establish an internal control organisational system with clear work allocation, clear working procedures, cooperation and highly efficient execution which the board of directors should ultimately be responsible for, the management should directly lead, the internal control departments should coordinate, the internal audit department should examine and supervise, and the business departments should primarily be responsible for. Internal control activities of an insurance company shall cover sales control, operation control, infrastructure management control and funds utilisation control. Insurance companies are required to establish an internal control assessment system to perform annual comprehensive assessment on the integrity, reasonableness and effectiveness of their internal control system and prepare an internal control assessment report for review and approval by the board of directors and submission to the CIRC.

Pursuant to the Working Rules for the Accounting of Insurance Companies (保險公司財會工作規範) implemented on 1 July 2012, an insurance company is required to establish an accounting management mechanism and system commensurate with its own circumstances based on corporate development strategy, business scale, sales channels and product features, so as to effectively mitigate management and control risks and improve financial operational efficiency. The chairman and general manager of an insurance company should be responsible for regulatory compliance of the company's work related to accounting and the truthfulness and completeness of the company's accounting information. An insurance company is required to: establish an independent accounting department which shall carry out bookkeeping for business affairs actually occurred, prepare financial reports and procure the truthfulness and completeness of accounting information; set up a fund management mechanism led by the accounting department with close cooperation with other departments to ensure the security of funds by improving internal management systems such as fund raising, pooling, depositing, transfer and payment; establish an effective asset management system and mechanism, ensuring the security and integrity of all financial assets, tangible assets and intangible assets of the company; establish and improve liability management systems including reserve liabilities, financial liabilities and capital liabilities, and regularly examine and assess the operation of such systems to ensure they operate effectively; establish an internal supervisory system for accounting under which the chairman (or general manager) shall be held responsible and with a clear work allocation among the accounting department, internal audit department and board of supervisors according to relevant regulations and requirements including the Accounting Law; and establish a financial information system in line with the needs of business development and management, formulate a management mechanism for the financial information system, regulate the coordination, planning, design, development, operation, maintenance, security and management of the financial information system, and improve the information technology level of financial management. The employment or dismissal of any accounting firm by an insurance company which provides annual audit services to the insurance company must be reported to the CIRC. An insurance group is required to establish internal firewalls.

Pursuant to the Regulatory Guidelines for Statements Consolidation by Insurance Groups (保險集團並表監管指引) implemented on 4 December 2014, the CIRC shall implement consolidated reporting supervision on the insurance groups in accordance with laws, administrative regulations and the authorisation from the State Council. Insurance groups are required to set up a transparent group structure and a group-wide corporate governance framework to manage risks of the group, to fully protect the interest of policyholders, the insured, beneficiaries and other stakeholders, and to focus on the long term interest of the group as a whole and members of the insurance groups. Insurance groups must establish and implement a firm-wide risk management system, to assess, prevent and manage major risks in daily operations. The firm-wide risk management system shall cover the whole group, and commensurate with the nature, size and complexity of the insurance groups. Insurance groups shall monitor, report and control internal transactions, comply with the regulatory requirements set by the CIRC on solvency and satisfy the capital adequacy requirements. The insurance groups shall manage assets and liabilities and liquidity risks in a scientific and effective manner.

Pursuant to the Guidelines on Internal Audits of Insurance Companies (Pilot) (保險公司內部審計指引(試行)) implemented on 1 July 2007, the board of directors of an insurance company has ultimate responsibility for the establishment, operation and maintenance of internal audit system. An insurance company is required to perform examination, evaluation and consultation in a systematical and standardised manner on the integrity and effectiveness of its internal control, the truthfulness and completeness of business and financial information, the efficiency and results of operating activities and the financial liability of operational and management personnel during their terms of office, to support the insurance company in achieving its operational objectives.

Pursuant to the Guidelines for Compliance Management of Insurance Companies (保險公司合規管理指引) implemented on 1 January 2008, an insurance company is required to prevent, identify, assess, report and deal with compliance risk through various measures including establishment of a compliance management department or compliance positions, formulation and execution of compliance policies, and monitoring and training on compliance. The board of directors of an insurance company shall have ultimate liability for the company's compliance management, and shall appoint a person-in-charge of compliance matter. An insurance company has to establish a compliance policy as the guiding document for compliance management and submit it to the board of directors for consideration and approval and filing with the CIRC. An insurance company must submit annual compliance report to the CIRC.

Pursuant to the Risk Management Guidance for Insurance Companies (Pilot) (保險公司風險管理指引(試行)) implemented on 1 July 2007, an insurance company is required to set clear risk management objectives, establish an integrated risk management system, standardise risk management process, adopt advanced risk management methods and means, and maximise efficiency with appropriate level of risks. An insurance company must establish a risk management organisational system which the board of directors should ultimately be responsible for, the management should directly lead, the relevant functional departments should close cooperate, and should cover all business units based on the risk management organisation. An insurance company shall identify and assess all types of major risks in the course of operation, including insurance risk, market risk, credit risk and operational risk, and verify and evaluate the process and effectiveness of risk management. Pursuant to the Guidance for Reputational Risk Management of Insurance Companies (保險公司聲譽風險管理指引) implemented on 19 February 2014, an insurance company is required to include reputational risk in its firm-wide risk management system, establish relevant system and mechanism, prevent and identify reputational risk and handle and deal with reputational events. The board of directors of an insurance company has ultimate responsibility for reputational risk management. Further, an insurance company must fully consider reputational risk in all aspects including corporate governance, market behaviour, and information disclosure to prevent any risk affecting the reputation of the company and the industry from occurring. In case of any reputational event, an insurance company shall take prompt actions and control to prevent any individual reputational event from damaging the general reputation of the industry and maintain a stable insurance market.

Pursuant to the Guidelines on the Information System Security Management of Insurance Companies (Pilot) (保險公司信息系統安全管理指引(試行)) implemented on 16 November 2011, an insurance company is required to use technical and management measures for information security to protect the usability, confidentiality, completeness and non-repudiation of information in the process of collection, transmission, exchange, processing and storage and procure the safety and stable operation of information system. An insurance company shall comply with standards and requirements prescribed in laws, regulations and regulatory in all respects including infrastructure and networking equipment and environment, application system and data security, information-related work outsourcing and procurement service.

Pursuant to the Guidelines for Compensation Management Rules of Insurance Companies (Pilot) (保險公司薪酬管理規範指引(試行)) implemented on 1 January 2013 and the Notice of the CIRC on Matters Related to Implementation of the Guidelines for Compensation Management Rules of Insurance Companies (Pilot) implemented on 2 November 2012, an insurance company is required to manage employee compensation on a basis that is scientific, reasonable, standardised, prudent, robust, effective, fair and appropriate. The compensation of an insurance company shall comprise: (i) basic compensation; (ii) merit-based compensation; (iii) welfare income, allowances and subsidies; and (iv) medium-term and long-term incentives. Merit-based compensations for the directors, supervisors and senior management of an insurance company shall be determined based on the outcome of the performance review for the year. Merit-based compensation shall be no more than three times of the basic compensation, and the target merit-based compensation shall be no less than the basic compensation. Welfare, allowances and subsidies shall be paid by an insurance company to employees by reference to the relevant requirements and industry standards of the PRC. The welfare income and allowances and subsidies paid in cash by an insurance company to its directors, supervisors and senior management each year shall not exceed 10% of their basic compensation. The administrative measures for medium-term and long-term incentives of insurance companies shall be established separately by the CIRC in accordance with relevant PRC regulations.

Administration of Qualification of Directors, Supervisors and Senior Management

Pursuant to the Administration of Directors, Supervisors and Senior Management Qualifications of Insurance Companies (保險公司董事、監事和高級管理人員任職資格管理規定), senior management of an insurance company refers to the following persons with a decision-making power or significant influence on the operation and management activities and risk control of an insurance institution: (i) the general manager, deputy general manager and assistant general manager of the head office; (ii) the board secretary, compliance controller, chief actuary, chief financial officer and audit controller of the head office; (iii) the general manager, deputy general manager and assistant general manager of branches and central sub-branches; (iv) the manager of sub-branches and business departments; or (v) management officers with equivalent powers and duties to the above senior management officers.

Directors, supervisors and senior management of an insurance institution shall obtain qualification approved by the CIRC before assuming office.

The CIRC will not approve the qualification of any proposed director, supervisor or senior management of an insurance institution if he is: (i) a person without legal capacity or with restricted legal capacity; (ii) a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders, or who has been deprived of his political rights, in each case where not more than five years have elapsed since the date of the completion of such punishment or deprivation; (iii) a person who has been sentenced to any other criminal penalty of other offences where not more than three years have elapsed since the date of completion of such punishment; (iv) a person who has his qualification cancelled or revoked by a financial regulatory authority, where not more than five years has elapsed since the date of the cancellation or revocation of his qualification; (v) a person who has been barred from entering into the market by a financial regulatory authority, where not more than five years has elapsed since the date of the bar; (vi) a person who has been removed from public office by a government authority, where not more than five years has elapsed since the date of removal from public office; (vii) a person who is a former lawyer, certified public accountant or professional of a professional institution such as asset valuation institution or certification institution, whose professional qualification has been revoked because of a breach of law or disciplinary conduct, where not more than five years have elapsed since the date of the revocation of his professional qualification; (viii) a person who is a former director, factory manager or manager of a company or enterprise which has been bankrupted and liquidation and he is personally liable for the bankruptcy of such company or enterprise, where not more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (ix) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and who incurred personal liability, where not more than three years has elapsed since the date of the revocation of the business license; (x) a person who has a relatively large amount of debts due and outstanding; (xi) a person who was subject to administrative penalty by the CIRC in form of a warning or fine within one year immediately preceding the application for the approval of his qualification; (xii) a person who is investigated by the CIRC because of suspected involvement in serious illegal activity, which investigation is not yet concluded; (xiii) a person who was subject to material administrative penalty by other administrative management department, where not more than two years have elapsed since the date of the material administrative punishment; (xiv) a person who has been sentenced to any criminal penalty outside of the PRC, where not more than five years since the completion of such punishment have elapsed or, in case of administrative punishment due to a serious violation of law, where not more than three years have lapsed since the date of the completion of such administrative punishment; and (xv) a person with other circumstances provided by the CIRC.

Any person who served as a director, supervisor or senior management of an insurance company subject to rectification or receivership and is directly responsible for such rectification or receivership may not serve as a director, supervisor or senior management officer of other insurance institutions during the period of rectification or receivership. Pursuant to the Interim Measures on the Administration of Independent Directors of Insurance Companies (保險公司獨立董事管理暫行辦法) , in addition to the qualification required by the Administration of Directors, Supervisors and Senior Management Officers Qualifications of Insurance Companies (保險公司董事、高級管理人員任職資格管理規定), an independent director shall: (i) have a bachelor degree or above; (ii) for those serving on the audit committee of the board of directors, have more than five years of work experience in the financial or legal field; (iii) for those serving on the nomination and remuneration committee of the board of directors, have a strong capability of identifying and using talent and managing remunerations, and more than five years of working experience in a leading or management position in enterprises, public institutions or government agencies; and (iv) other qualifications required by the CIRC.

A person may not serve as an independent director of an insurance company if he: (i) is a person or a close relative of a person who has held a position in the past three years in a corporate shareholder holding more than 5% of the shares of the insurance company or a corporate shareholder being one of the top ten shareholders of the insurance company; (ii) is a person or a close relative of a person who has held a position in the past three years in the insurance company or an enterprise effectively controlled by such insurance company; (iii) has provided the insurance company with legal, audit, actuarial and management consultancy services in the past one year; (iv) is a partner, controlling shareholder or senior management officer of a bank, law firm, consultancy agency or audit firm with business with the insurance company; or (v) has other capacity that is likely to affect his independent judgment in the opinion of the CIRC.

An independent director may not hold a position in any other insurance company engaging in similar principle activities, or serve as independent director in more than four enterprises at the same time.

Before assuming office, in addition to submitting his qualification to the CIRC for approval according to regulatory requirements, an independent director is also required to make a statement on his independence through the media specified by the CIRC, and undertake to act diligently and to commit adequate time and efforts in performing his duties.

Related Transactions

Pursuant to the PRC Insurance Law, an insurance company is required to establish rules on the management of related transactions and information disclosure. The controlling shareholders, de facto controlling persons, directors, supervisors and senior management of an insurance company are not allowed to impair the interests of the insurance company through related transactions.

In addition to the requirements under the PRC Insurance Law, when entering into any related transactions, an insurance company shall also comply with the Interim Provisions on Related Transactions of Insurance Companies (保險公司關聯交易管理暫行辦法) implemented on 6 April 2007, the Notice of the CIRC on the Issues concerning the Implementation of the Interim Provisions on Related Transactions of Insurance Companies (中國保險監督管理委員會關於執行〈保險公司關聯交易管理暫行辦法〉有關問題的通知) implemented on 14 October 2008, and the Notice of the CIRC on the Issues concerning Increased Regulation on Related Transactions of Insurance Companies (中國保監會關於進一步規範保險公司關聯交易有關問題的通知) implemented on 1 April 2015, under which an insurance company is required to formulate policies on related transactions and file such policies with the CIRC. An insurance company is also required to identify related parties and related transactions in accordance with the above requirements and report its major related transactions to the CIRC within 15 working days of the execution of related transaction agreement. Major related transactions are defined as (i) a single transaction with a single related party involving an amount of more than RMB5 million and no less than 1% of the net assets of the insurance company as at the end of the preceding year, or (ii) transactions with a single related party in a fiscal year involving an accumulated amount of more than RMB50 million and not less than 10% of the net assets of the insurance company as at the end of the preceding year.

Pursuant to the Standards for the Information Disclosure of Insurance Funds Deployment by Insurance Company: No.1: Related Transactions (保險公司資金運用信息披露準則第1號：關聯交易) implemented on 19 May 2014, the following activities involving insurance funds deployment between an insurance company and its related party shall be disclosed: (i) placement of bank deposits (other than demand deposit) with the related party; (ii) investment in the equity, real property and other assets of the related party; (iii) investment in a financial product issued by the related party or the underlying assets of which comprise the assets of the related party; and (iv) other related transactions as determined by the CIRC. The information to be disclosed for the above related transactions include: (i) transaction overview and basic information on the subject matter of the transaction; (ii) related relationships between the parties and basic information on the related party; (iii) transaction pricing policy and basis; (iv) main contents of the transaction agreement, including consideration, settlement method, conditions precedent, effective date, deadline for performance; (v) decision-making and review of the transaction; and (vi) other information required to be disclosed in the opinion of the CIRC.

If an insurance company enters into the above related transaction with its related party, it is required to publish a disclosure announcement as required on the websites of the insurance company and the Insurance Association of China within 10 working days of execution of the transaction agreement or of the occurrence of the same if there is no such agreement.

The Standards for the Information Disclosure of Insurance Funds Deployment by Insurance Company: No.1: Related Transactions (保險公司資金運用信息披露準則第1號：關聯交易) shall apply to insurance group (holdings) companies and insurance asset management entities conducting any of the above related transaction, as well as insurance asset management entities which set up a financial product with its related party as counterparty or with the assets of the related party as underlying assets.

Reinsurance Business

Business Scope

Under the Requirements for Establishment of Reinsurance Companies (再保險公司設立規定), subject to the CIRC's approval, a reinsurance company may engage in all or part of the following businesses:

- Life reinsurance business

    1. Reinsurance business in the PRC;

    2. Retrocession business in the PRC;

    3. International reinsurance business.

- Non-life reinsurance business

    1. Reinsurance business in the PRC;

    2. Retrocession business in the PRC;

    3. International reinsurance business.

- Engage in all or part of the two types of businesses mentioned above

Requirements for Reinsurers

Pursuant to the Notice of the CIRC on Issues concerning Safety and Soundness in Reinsurance Operations (中國保險監督管理委員會關於再保險業務安全性有關問題的通知) implemented on 1 January 2008 and the Reply from the CIRC General Office on Scope of Application of the Notice of the CIRC on Issues concerning Safety and Soundness in Reinsurance Operations (中國保險監督管理委員會辦公廳對〈關於再保險業務安全性有關問題的通知〉適用範圍的覆函) promulgated on 5 January 2012, a ceding company must follow requirements below when selecting a reinsurer:

- When entering into the reinsurance contract, except for nuclear insurance and aviation insurance, the lead reinsurer or the reinsurer assuming the largest portion of reinsurance in treaty reinsurance businesses must be a wholly state-owned or a state-controlled insurance company, or an insurance entity with its latest financial strength ratings meeting at least any of the standards below:

  1. Standard & Poor's rating of A- or above;
  2. A.M. Best rating of A- or above;
  3. Moody's rating of A3 or above;
  4. Fitch rating of A- or above.

- When entering into the reinsurance contract, except for nuclear insurance and aviation insurance, following reinsurers must be a wholly state-owned or a state-controlled insurance company, or an insurance entity with its latest financial strength ratings meeting at least any of the standards below:

  1. Standard & Poor's rating of BBB or above;
  2. A.M. Best rating of B++ or above;
  3. Moody's rating of Baa or above;
  4. Fitch rating of BBB or above.

- Except for nuclear insurance and aviation insurance, the reinsurer must have a paid-in capital of no less than RMB200 million or its equivalent in other currencies; and when the lead reinsurer or the reinsurer assuming the largest portion of reinsurance is not a professional reinsurance entity, such reinsurer must have a paid-in capital of no less than RMB1 billion or its equivalent in other currencies.

- The reinsurer must comply with solvency requirements imposed by the local supervision authorities of its place of incorporation, and the ceding company shall keep itself informed on the solvency of the reinsurer in a timely manner.

- The reinsurer must have no material non-compliance with laws or regulations in the two accounting years preceding the inception of the reinsurance contract.

Through the duration of the reinsurance contract, if the reinsurer's financial strength ratings have fallen below the required level set out in the Notice of the CIRC on Issues concerning Safety and Soundness in Reinsurance Operations (中國保險監督管理委員會關於再保險業務安全性有關問題的通知) for three consecutive years, then the ceding company shall consider taking appropriate actions to mitigate the risk.

There are no requirements on the latest financial strength ratings of reinsurers regarding facultative reinsurance businesses.

Reinsurance Business

Under the PRC Insurance Law, the liability of an insurance company in respect of any one risk (i.e. the maximum amount of loss that may be caused by a single insurance incident) may not exceed 10% of the sum of its paid-in capital and the capital reserve. Reinsurance must be obtained for the excess.

Pursuant to the revised Provisions on the Administration of Reinsurance Business (再保險業務管理規定) implemented on 1 July 2010, except for aviation insurance, nuclear insurance, oil insurance and credit insurance, a primary insurance company shall comply with the following requirements when obtaining a treaty reinsurance or facultative reinsurance:

- when ceding primary P&C insurance business on a basis of proportional reinsurance, the percentage of each risk ceded to the same reinsurer may not exceed 80% of the sum insured or liability limit for the portion of primary insurance contract underwritten by the ceding company of the reinsurance; and

- the sum insured or liability limit for each facultative reinsurance contract ceded to an affiliate of the policyholder may not exceed 20% of the sum insured or liability limit for the primary insurance business.

The ceding company shall notify the reinsurer in writing on material information affecting the pricing for the reinsurance and conditions for ceding. After the reinsurance contract becomes effective, the ceding company shall, in a timely manner, provide the reinsurer with information that may have a significant effect on the reserve and expected claim amount of the reinsurer such as details on significant claims and amount of claim reserves.

Specialised reinsurer within the PRC shall have dedicated reinsurance underwriters and claim adjusters with residences in the PRC.

When carrying out reinsurance business, an insurer shall assess all reserves according to actuarial principles and methodologies, and accurately provide for and carry forward the reserves in full as required by the CIRC. For the same life insurance business, the reinsurer and the ceding company shall adopt consistent assessment methods and assumptions for assessing statutory reserves for liabilities.

Insurance Business

Business Scope

According to the provisions of the PRC Insurance Law, the business scope of insurance companies includes:

- life and health insurance, including life, health, accident and other insurance businesses;
- P&C insurance, including property, liability, credit, surety and other insurance businesses;
- other insurance-related businesses approved by insurance regulatory authority of the State Council.

Insurer shall not concurrently operate life and health insurance business and P&C insurance business. However, insurance companies which operate property insurance business can operate short-term health insurance and accident insurance with approval of insurance regulatory authority of the State Council.

With approval of insurance regulatory authority of the State Council, insurance companies can engage in the following reinsurance business of insurance business provided by Article 95 of the PRC Insurance Law:

- Outward reinsurance
- Inward reinsurance

According to the Insurance Exchange Management Guidelines (保險業務外匯管理指引) implemented on 1 March 2015, if insurance companies or their branches carry out insurance business in the PRC that is denominated in foreign currencies or denominated in RMB but settled with foreign currencies, such insurance companies shall be subject to approval of local authority of foreign exchange and also need to obtain approval documents to operate foreign exchange insurance.

Insurance Clauses and Premium Rates

Pursuant to the Administrative Measures on Insurance Clauses and Insurance Premiums Rates of Property and Casualty Insurance Companies (財產保險公司保險條款和保險費率管理辦法) as amended and implemented on 1 April 2010 and the Notice on Issues Relating to the Implementation of the Administrative Measures on Insurance Clauses and Premium Rates of Property and Casualty Insurance Companies (關於實施〈財產保險公司保險條款和保險費率管理辦法〉有關問題的通知) implemented on 1 May 2010, insurance companies must submit following property insurance clauses and premium rates to the CIRC for examination and approval:

- insurance of a compulsory nature pursuant to laws and administrative regulations;
- motor insurance;
- non-life insurance with investment features;
- surety and credit insurance with an insurance period exceeding one year;
- other types of insurance concerning public interest as identified by the CIRC and insurance of a compulsory nature pursuant to laws, administrative regulations and regulatory documents.

Revisions to approval insurance clauses or premium rates by insurance companies shall be submitted for approval.

Insurance clauses or premium rates of those insurance other than the above set by insurance companies shall be registered with the CIRC within ten working days after operation. Any modification or adjustment to insurance liability or premium rates under insurance clauses already registered should be submitted to the CIRC for registration.

According to relevant provisions of the Regulation on Compulsory Traffic Accident Liability Insurance for Motor Vehicles (機動車交通事故責任強制保險條例) as amended on 17 December 2012, insurance companies may, upon the approval of the CIRC, conduct statutory automobile liability insurance business. The CIRC may also require an insurance company to conduct such business. A policyholder may not add any additional terms and conditions to the insurance clauses and premium rates specified in such policy. The insurance company may not force the policyholder to enter into a commercial insurance contract or add additional terms and conditions. Insurance companies may not rescind statutory automobile liability insurance contracts unless the policyholder fails to perform his or her obligation of full disclosure. Upon rescinding the contract, an insurance company must withdraw the insurance policy and the insurance mark and notify the motor vehicle administration department in writing.

Pursuant to the Circular on Strengthening the Control over the Insurance Clauses and Premium Rates of Commercial Motor Insurance (關於加強機動車輛商業保險條款費率管理的通知) promulgated by the CIRC on 23 February 2012, insurance clauses and premium rates for commercial motor insurance formulated by insurance companies shall be submitted to the CIRC for approval and, if approved by the CIRC, must be strictly implemented by the relevant insurance companies. The Insurance Association of China shall organise a professional workforce, and research and formulate model terms for commercial motor insurance, benchmark depreciation coefficients and formulate a database of vehicle models for reference by insurance companies. The Insurance Association of China shall collect and analyse industry-wide operating data and shall calculate the benchmark net loss ratio for the commercial motor insurance business at least once every two years as reference for insurance companies. The terms of commercial motor insurance shall be complete in content, clear in format and easy to read. Where an insurance incident is caused by damage to an insured motor vehicle by a third party, from the day when the insurance company compensates the policyholder for the insured amount, the insurance company may within the range of the compensation amount exercise the rights of subrogation for the policyholder to request compensation from the third party. The insurance company may not refuse to perform its insurance obligation by abandoning the rights of subrogation. The Insurance Association of China published the Model Terms of Commercial Insurance (機動車輛商業保險示範條款) on 14 March 2012.

According to the Measures for the Administration of Insurance Clauses and Premium Rates of Life and Health Insurance Companies (人身保險公司保險條款和保險費率管理辦法) implemented on 30 December 2011, insurance companies are required to submit to the CIRC for approval the insurance clauses and premium rates of the following insurance products before they are adopted:

- insurance products associated with public interests;
- insurance products of a compulsory nature in accordance with laws;
- new life insurance products required to be developed by the CIRC;
- other insurance products as required by the CIRC.

Other types of insurance other than the above must be submitted to the CIRC for record.

If insurance companies change personal insurance clauses and premium rates already approved or filed, or change their insurance liability, insurance categories or pricing methods, insurance clauses and premium rates should be resubmitted for approval or filing. If insurance companies decide to stop the use of personal insurance clauses and premium rates throughout the country, they shall submit a report to the CIRC within ten days after the stop, explaining the reason to stop, follow-up services and other related measures, and submit the report copy to the regional bureau of the CIRC of original location.

According to the Measures for the Administration of Insurance Clauses and Premium Rates of Life and Health Insurance Companies (人身保險公司保險條款和保險費率管理辦法), chief actuaries of insurance companies shall produce chief actuary statements in respect of insurance clauses and premium rates submitted for approval or filing, and shall sign on the relevant actuarial report and the premium rate adjustment measures or product parameter adjustment measures.

According to the Measures for the Administration of Insurance Clauses and Premium Rates of Life and Health Insurance Companies (人身保險公司保險條款和保險費率管理辦法), an insurance company that submits insurance clauses and premium rates for approval or filing shall appoint a legally responsible person approved by the CIRC. An insurance company shall by no means appoint a legally responsible person whose qualifications are not approved by the CIRC. The legal responsible person of an insurance company shall issue a declaration of legal responsible persons for insurance clauses submitted for approval or filing, and shall bear liability that the insurance clauses are fair and reasonable with precise and prudently expressed text, and are consistent with the Insurance Law and other laws, administrative regulations and the relevant requirements of the CIRC.

Insurance Salespersons

According to the Measures for the Supervision and Administration of Insurance Salespersons (保險銷售從業人員監管辦法) implemented by the CIRC on 1 July 2013, persons engage in insurance sales must hold the Insurance Salespersons Professionals Qualification Certificate (保險銷售從業人員資格證書) issued by the CIRC, and shall sign insurance agents agreement with insurance companies. They can engage in insurance sales activities only after those insurance companies register their practice in the insurance regulatory agency information systems under the CIRC, and after the issuance of the Insurance Salespersons Practice Certificate (保險銷售從業人員執業證書). Insurance salespersons should engage in insurance sales activities within the authorised scope and geographical scope by their insurance companies, voluntarily accept the management of the insurance companies, and perform their obligations stipulated in the insurance agents agreement. Insurance salespersons shall present the practicing certificate when engaging in insurance sales activities.

However, according to the Decision of the National People's Congress on Revising the 'Measurement Law of the People's Republic of China' and other five laws (全國人大常委會關於修改〈中華人民共和國計量法〉等五部法律的決定) implemented on 24 April 2015, Article 111 of the PRC Insurance Law has been changed to "insurance salespersons of insurance companies should be of good character and have the required insurance sales expertise. The behaviour norms and administrative measures of insurance salespersons are provided by the State Council's insurance regulatory authority." Accordingly, the PRC Insurance Law removed the requirement in the original PRC Insurance Law that the insurance salespersons of insurance companies should obtain "the qualification certificate issued by the insurance supervision and regulatory authority."

As at the date of issue of this prospectus, the CIRC has not made further modifications on the Insurance Salespersons Regulatory Measures (保險銷售從業人員監管辦法).

External Guarantee

Pursuant to the Notice on Relevant Matters Regarding Regulating Guarantees Provided by Insurance Entities (中國保監會關於規範保險機構對外擔保有關事項的通知), insurance companies and insurance asset management companies may not provide any guarantee other than (i) guarantees in litigation; (ii) credit guarantees relating to export credit insurance operated by an export credit insurance company; and (iii) maritime guarantees. Insurance group companies can provide guarantee for their subordinated member companies.

Security Deposits

An insurance company is required by the PRC Insurance Law to make a security deposit which amount to 20% of its total registered capital into a bank designated by the State Council's insurance regulatory authority. Such security deposit shall not be used for any purposes other than settling the debts of such insurance company during liquidation proceedings. Such requirements on security deposit also apply to reinsurance companies.

Pursuant to the Measures for the Administration of Security Deposits of Insurance Companies (保險公司資本保證金管理辦法), insurance companies should choose more than two commercial banks as security deposit banks. Such security deposit banks should satisfy the following requirements: (i) a state-owned commercial bank, a joint-stock commercial bank, PSBC or a city commercial bank; (ii) having no less than RMB20 billion net assets at the end of the immediately preceding year; (iii) their capital adequacy ratio and non-performing asset ratio are in compliance with the relevant requirements of banking industry regulatory authorities; (iv) having a sound corporate governance structure, internal audit and control system and risk control system; (v) having no related party relations with the insurance companies; and (vi) having no records of material non-compliance of laws or regulations in the past two years.

Insurance companies can make security deposit in the form of: (i) fixed-term deposits; (ii) large-amount agreement deposits; (iii) other forms approved by the CIRC.

During the term of deposits, insurance companies are not allowed to change the nature of the security deposits or use security deposits for mortgage financing.

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises No. 25 — Original Insurance Contracts (企業會計準則第25號－－原保險合同) and the PRC Accounting Standards for Business Enterprises No. 26 — Reinsurance Contracts (企業會計準則第26號－－再保險合同) implemented on 1 January 2007, the Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Pilot) (保險公司非壽險業務準備金管理辦法(試行)) implemented on 15 January 2005, and the Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Pilot) (保險公司非壽險業務準備金管理辦法實施細則(試行)) implemented on 15 January 2005, insurance companies must make allocations to the following reserves:

- Unearned premium reserves, which represents the reserves allocated at the date of assessment for outstanding liabilities, including the reserves allocated for liabilities undertaken for unexpired policies of one year or less in duration and the long-term reserves allocated for liabilities undertaken for unexpired policies of greater than one year in duration by insurance companies;

- Claims reserves: the reserves allocated by insurance companies for unsettled claims, including incurred and reported claims reserves, incurred but not reported reserves and loss adjustment expense reserves. Among them, incurred and reported reserves are those reserves allocated by insurance companies for incurred and reported claims but which insurance companies haven't settled yet. Incurred but not reported reserves are those reserves allocated by insurance companies incurred but not yet reported claims. Loss adjustment expense reserves are those reserves allocated by insurance companies for the cost to be incurred for unsettled claims. The expenses provided for the services that are directly incurred by specific claims cases, such as expenses for experts and lawyers and for damage inspections, are allocated loss adjustment expenses (ALAE) reserves, and the amounts provided for expenses not directly incurred by specific claims cases are unallocated loss adjustment expenses (ULAE) reserves.

- Life insurance liability reserves refer to the reserves allocated for unexpired liabilities undertaken in life insurance policies;

- Long-term health insurance reserves refer to the reserves allocated for unexpired liabilities undertaken in long-term health insurance policies;

- Other reserves as required by the CIRC.

According to the Measures for the Administration of Health Insurance (健康保險管理辦法) implemented on 1 September 2006, for those claim cases which insurance incidents occurred and has been made claims but insurance companies yet not settle, insurance companies shall set aside incurred and reported reserves. Insurance companies should take reasonable measures such as case-by-case loss estimating method and average cost per claim method incurred to set aside incurred and reported reserves carefully. If actuaries of insurance companies cannot confirm the reliability of estimation methods or the experience data of related business is less than three years, insurance companies shall set aside incurred and reported reserves in accordance with claiming amounts. For short-term health insurance, insurance companies shall set aside claim reserves.

For life insurance reserve provisions, it also includes the Notice on Issuance of Investment-linked Insurance Universal Insurance Actuarial Provisions (關於印發投資連結保險萬能保險精算規定的通知) implemented on 26 March 2007.

According to the Insurance Companies Internal Management Specification on Non-life Reserves Base Data, Assessment and Audit (保險公司非壽險業務準備金基礎數據、評估與核算內部控制規範) implemented on 1 July 2012, insurance companies should pay attention to and strengthen reserve base data quality control, establish work procedure and internal control systems, so as to regulate information system data transmission standard and the data transmission among business, finance, reinsurance, investment and other different systems. All underwriting, claims, reinsurance, expenses, investment and other business activities should be completely recorded and preserved through information systems, in order to ensure the authenticity, integrity, consistency and effectiveness of data.

Pursuant to the Administrative Measures on the Retrospective Analysis of Reserves of Non-Life Insurance Business of Insurance Companies (保險公司非壽險業務準備金回溯分析管理辦法) effective as at 17 May 2012, retrospective analysis of reserves of non-life insurance business comprises a retrospective analysis of unearned premium reserves and a retrospective analysis of claim reserves. Claim reserves include incurred and reported reserves, incurred but not reported reserves, and loss adjustment expense reserves. Insurance companies' reserves retrospective analysis includes two parts: annual reserve evaluation results retrospective analysis and regular quarterly reserve evaluation results retrospective analysis. Annual reserve evaluation results retrospective analysis refers to insurance companies should calculate at the end of each quarter the deviation between audited unearned premium reserves and evaluation value of claim reserves at the end of previous two financial years and those as at the retrospective points, so as to determine the reserving adequacy in audited annual financial statements. Regular quarterly reserve evaluation results retrospective analysis refers to insurance companies should calculate at the end of each quarter the deviation between unsettled claim reserves before previous two quarters and those as at the retrospective points. Through analysing the deviation reasons, insurance companies can monitor the quality of basic data and internal claim control, guide and dynamically adjust the evaluation results of that quarter. An insurance company shall submit the reserve retrospective analysis report signed by the general manager and the chief actuary (or the actuarial controller) to the CIRC on a regular basis. The general manager of an insurance company shall be responsible for the truthfulness of the basic information and the chief actuary (or the actuarial controller) shall be responsible for the methodology of the retrospective analysis, the reasonableness of the assumptions, and the accuracy of the calculation result.

Reserves Fund

According to the PRC Company Law, a company should, during distribution of after-tax net profit of current year, set aside 10% of the profit and contribute to its statutory reserves fund. For a statutory reserves fund reaches 50% of the company's registered capital, no need to set such fund any more. When a company's statutory reserves fund is not sufficient to make up for losses in previous years, prior to contributing the statutory reserve in accordance with the preceding paragraph, its profit of current year shall be used to make up for such losses.

In addition to a statutory reserves fund set aside from its after-tax net profit, the company may also set aside funds for a discretional reserves fund from its after-tax net profit upon passing a resolution at an authorising shareholders' meeting or shareholders' general meeting.

The premium in excess of par value from the issuance of stock of a joint stock company, and other incomes contributed to the capital reserves fund as provided by the treasury departments of the State Council, must be contributed to the company's capital reserves.

Insurance Guarantee Fund

According to the provisions of the PRC Insurance Law, insurance companies shall pay the insurance guarantee fund. Insurance guarantee fund should be under centralised management, and used in a coordinated manner in the following situations:

- When an insurance company is cancelled or declared bankrupted, provide relief to the policyholder, the insured or the beneficiary;
- When an insurance company is cancelled or declared bankrupted, provide relief to the insurance companies legally accepting its life insurance contracts;
- Other cases specified by the State Council.

According to the Administrative Regulations on Insurance Guarantee Fund (保險保障基金管理辦法) implemented on 11 September 2008, insurance companies shall pay the insurance guarantee fund for P&C insurance business or life and health insurance business they operated pursuant to the following regulations. Those insurance business which was paid insurance guarantee fund would be covered by the insurance fund relief:

- 0.8% of the premium income for non-investment-type P&C insurance, 0.08% of the business revenue received for investment-type P&C insurance with guaranteed return, and 0.05% of the business revenue received for investment-type P&C insurance without guaranteed return;
- 0.15% of the business revenue received for life insurance with guaranteed return, and 0.05% of the business revenue received for life insurance without guaranteed return;
- 0.8% of the premium income for short-term health insurance, and 0.15% of the premium income for long-term health insurance; and
- 0.8% of the premium income for non-investment-type accident insurance, 0.08% of the business revenue received for investment-type accident insurance with guaranteed return, and 0.05% of the business revenue received for investment-type accident insurance without guaranteed return.

The above business revenue refers to full amount paid by the policyholder to the insurance company in accordance with the insurance contract for the purchase of corresponding insurance products.

Since reinsurance companies do not have such business revenue as provided by the above requirements, therefore they are not subject to the requirements of insurance guarantee fund.

Solvency Management

Solvency Management of Insurance Company

The solvency of an insurance company represents the ability of an insurance company to repay its debt. According to the Administrative Provisions on the Solvency of Insurance Companies (保險公司償付能力管理規定) which was implemented on 1 September 2008, an insurance company shall have capital commensurate with its risks and business scale and shall ensure its solvency margin ratio is not less than 100%. The solvency margin ratio refers to the ratio between an insurance company's actual capital and the minimum capital.

Under the PRC Insurance Law, the Administrative Provisions on the Solvency of Insurance Companies (保險公司償付能力管理規定) and Notices of China Insurance Regulatory Commission on Strengthening the Solvency Management of Insurance Companies (中國保險監督管理委員會關於保險公司加強償付能力管理有關事項的通知) enforced from 27 June 2012, insurance companies shall establish the internal solvency management system aligned with their business size, business structure and risk characteristics, enhance capital control, so as to ensure adequate solvency.

Insurance companies shall evaluate their solvency on a regular basis, calculate the minimum capital and actual capital, and carry out dynamic solvency test pursuant to the Solvency Reporting Standards for Insurance Companies formulated by the CIRC. In addition, risk-oriented solvency shall also be evaluated as well.

Under the Solvency Reporting Standards for Insurance Companies and relevant regulations complied by the CIRC, insurance companies shall formulate and submit solvency reports and procure the authenticity, accuracy, completeness and compliance of report information. Solvency reports include annual reports, quarterly reports and interim reports.

As a part of overall risk management, insurance companies shall consolidate all influence factors of solvency into the internal solvency management system, strengthen asset management, liability management, matching management and capital management, timely identify, prevent and relieve asset risk, underwriting risk, asset-liability mismatch risk, governance risk, operational risk and other types of risks.

Insurance companies shall set up capital constraint mechanism and take the influences of solvency into consideration while formulating development strategy, operational planning, product design and insurance funds deployment, etc.

Insurance companies shall develop capital plan, determine capital demand in the future and hence propose a practical capital supplement plan, in accordance with business development plans and based on the dynamic solvency test. Insurance group companies shall formulate the capital plans from the perspectives of business development and capital planning of member companies, propose the capital supplement plans and achieve proper capital allocation within the group on the basis of overall consideration of capital demands for all member companies.

Solvency Supervision of the CIRC

The CIRC classifies insurance companies into three categories to implement category-based supervision based on their solvency margins:

- inadequate solvency: insurance companies with solvency margin ratio of less than 100%;
- adequate solvency I: insurance companies with solvency margin ratio of between 100% and 150%; and
- adequate solvency II: insurance companies with solvency margin ratio of higher than 150%.

For an insurance company in the category of inadequate solvency, the CIRC may take one or several of the following regulatory measures:

- order the insurance company to increase its capital or restrict its distribution of dividends to its shareholders;
- limit the compensation and spending of directors and senior management officers;
- impose restrictions on its commercial advertising;
- restrict the establishment of new branches, limit its business scope, or order it to cease operating new business and to transfer its insurance business or cede its business;
- order an auction of the insurance company's assets or restrict its purchases of fixed assets;
- restrict the channels for deployment of its insurance funds;
- change the controller and relevant management;
- put the insurance company into receivership; and
- other regulatory measures as deemed necessary by the CIRC.

Pursuant to the Solvency Reporting Standards for Insurance Companies and relevant regulations promulgated by the CIRC, insurance companies shall formulate and submit solvency reports and procure the authenticity, accuracy, completeness and compliance of report information. Solvency reports include annual reports, quarterly reports and interim reports.

An insurance company shall report to the CIRC within five business days from the date of the occurrence of the following matters which have material adverse impacts on its solvency: (i) significant investment losses; (ii) material compensation, large-scale surrender or suffering a major lawsuit; (iii) its subsidiaries and joint ventures are experiencing financial crisis or taken over by financial regulatory authorities; (iv) the head office of the branch of a foreign insurance company is imposed with administrative penalties, is regulated with mandatory regulatory measures or is filed for bankruptcy protection; (v) its parent company is experiencing financial crisis or taken over by financial regulatory authorities; (vi) its major assets are frozen by judicial authorities or imposed with major administrative penalties by other administrative authorities; (vii) other matters that have material adverse impacts on its solvency.

C-ROSS

According to the Regulatory Standards on Solvency of Insurance Company (1-17) (保險公司償付能力監管規則(1-17號)) issued on 13 February 2015, the CIRC launched the construction work of China Risk Oriented Solvency System (中國風險導向償付能力體系) (hereafter referred to as "C-ROSS") in 2012. Under the regulatory framework of the C-ROSS, solvency supervision covers actual capital, minimum capital, life insurance contract liability valuation, minimum capital for insurance risk (non-life insurance business), minimum capital for insurance risk (life insurance business), minimum capital for insurance risk (reinsurance company), minimum capital for market risk, minimum capital for credit risk, stress testing, overall risk rating (classified supervision), solvency risk management requirements and evaluation, liquidity risk, solvency information public disclosure, solvency information exchange, credit rating of insurance company, solvency report and insurance group supervision.

The overall framework of the C-ROSS regime comprises three parts: institutional characteristics, supervisory pillars and supervisory foundation. The institutional characteristics include: (i) one supervision, representing that subject to authorisation from the State Council, the CIRC performs relevant administrative functions and implements unified supervision and management of the insurance market of the PRC in accordance with relevant laws and regulations, such as implementing unified supervision and management of solvency of all insurance companies in the PRC; (ii) emerging market, representing that given the reality that the PRC's insurance market is still an emerging insurance market, the framework of the C-ROSS regime takes into consideration of the characteristics of an emerging insurance market and strives to differentiate itself from a solvency supervisory system which is suitable to a developed market; and (iii) risk-oriented with value consideration, representing the balance between the objectives of risk warning and value assessment. The supervisory foundation is a company's solvency management. The supervisory pillars include: (i) the first pillar, representing the quantitative capital requirements, which primarily focuses on preventing the risks which could be quantified and requires an insurance company to have capital commensurate with the risks it faces through scientifically identifying and quantifying different kinds of risks; (ii) the second pillar, representing the qualitative supervisory requirements, which is on top of the quantitative capital requirements and requires an insurance company to take precautions against risks that are difficult to be quantified, such as operational risks, strategic risks, reputational risks and liquidity risks, etc.; and (iii) the third pillar, representing market discipline mechanism, which promotes and utilises the disciplinary power of markets through public disclosure to strengthen supervision on insurance companies' solvency so as to further prevent risks.

The three pillars are also applicable to the supervision of insurance groups. The substance and requirements of group-level supervision involve all three pillars. Moreover, insurance groups typically have risk diversification effects and they also face special risks different from those faced by an individual insurance company. In developing specific supervisory standards for the three pillars, these special risks should be taken into account and reflected accordingly.

There are three indicators to evaluate the solvency position of insurance undertakings: core solvency margin ratio, aggregated solvency margin ratio and integrated risk rating.

According to the Notices of China Insurance Regulatory Commission on Transitional Period of China Risk Oriented Solvency System (中國保監會關於中國風險導向償付能力體系實施過渡期有關事項的通知) promulgated on 13 February 2015, the PRC insurance authority has entered the trial period for transition of the C-ROSS since the date of promulgation. During such transitional period, insurance companies are obliged to formulated two solvency reports respectively in accordance with the present solvency supervision system and C-ROSS, with the present solvency supervision system as the supervisory basis. Moreover, the China Insurance Regulatory Commission will determine when to switch from the present solvency supervision system to C-ROSS based on trial experiences during the transition period.

General Risk Reserves

Pursuant to the Financial Rules for Financial Enterprises (金融企業財務規則) implemented on 1 January 2007 a financial enterprise engaged in businesses other than banking must set aside part of its net profits each year as risk reserves to indemnify the risk losses.

Subordinated Debts

Pursuant to the Measures for the Administration of Subordinated Term Debts of Insurance Companies (保險公司次級定期債務管理辦法) amended on 15 March 2013, insurance companies (including domestic insurance companies, joint venture insurance companies and foreign wholly-owned insurance companies) may issue subordinated term debts.

"Subordinated debts" refers to debts with a maturity of five years or more issued with approval by an insurance company for recovery of temporary and periodical capital insufficiency that are subordinated to the policy liabilities and other obligations of the company but senior to the company's equity in terms of the ranking of principal repayment and interest payment. Funds raised by an insurance company through subordinated debts may be counted in the company's supplementary capital, but may not be used to offset the daily operating loss. The amount of subordinated debts incorporated into an insurance company's supplemental capital shall not exceed 50% of its net assets and the specific approval standards are subject to the CIRC's requirements.

Insurance companies with existing solvency margin ratio lower than 150% or expected solvency margin ratio in the coming two years lower than 150% may apply for issuance of subordinated debts. Insurance companies applying for the issue of subordinated debts must satisfy the following requirements: (i) having been established over three years; (ii) having audited net assets of no less than RMB500 million at the end of the previous year; (iii) after the issuance, the accumulated outstanding principal and interest of subordinated debts may not exceed 50% of the audited net assets at the end of the previous year; (iv) being solvent; (v) having a sound corporate governance structure; (vi) having an integrated internal control system which has been strictly complied with; (vii) having no assets being occupied by any natural persons, legal persons or other entities who have effective control over the assets or their related parties; (viii) having no record of being subject to material administrative penalty for the past two years; and (ix) other requirements specified by the CIRC.

Issuance of subordinated debts by insurance group companies (or insurance holding companies) could also apply the provisions of the Measures for the Administration of Subordinated Term Debts of Insurance Companies (保險公司次級定期債務管理辦法).

Subordinated debts issued by insurance companies may only be subscribed by qualified investors. Qualified investors refer to domestic or overseas legal persons who possess abilities of independent analysis and risk tolerance in respect of purchase of subordinated debts with the exception of (i) any company under the control of the relevant issuer; and (ii) any company under the common control with the relevant issuer of a third party.

Subordinated debts held by a single shareholder and controllers of such shareholder of an issuer shall not exceed 10% of a single batch or accumulated amount of subordinated debts, and the percentage of subordinated debts held by them for either a single batch or accumulated amount shall not be the highest. Subordinated debts held accumulatively by all shareholders or all controllers of shareholders of an issuer shall not exceed 20% of a single batch or accumulated amount. Any issuance of subordinated debts in phases by an issuer should be counted as one single issue and be subject to the aforesaid requirements.

Issuers may entrust China Government Securities Depository Trust & Clearing Co. Ltd. or China Securities Depository and Clearing Co., Ltd as the registration and trustee agency of their subordinated debts, and may entrust it to repay the principles and interests on their behalf. The use of funds raised by issuance of subordinated debts should meet the relevant CIRC requirements and the funds are not allowed to be used for equity, real property or infrastructure investments. Issuers may repay principals and interests of subordinated debts only when they can make sure that they will have a solvency margin ratio not lower than 100% after such repayment. Issuers may not distribute any profits to their shareholders during any period when they are not able to repay any principals and interests on time.

Issuers may set up redemption option over subordinated debts and redemption date shall be five years from the date of issuance of subordinated debts. Subordinated debts contracts shall not provide that creditors have put option over subordinated debts. If subordinated debts are redeemed in advance according to the contracts, it shall ensure that insurance companies have a solvency margin ratio not lower than 100%. Except for redemption option established pursuant to the above requirements, issuers shall not redeem subordinated debts in advance.

Issuers shall, pursuant to the relevant CIRC requirements, prepare prospectus of subordinated debts and other information disclosure documents and procure the true, accurate, complete and timely disclosure of information that have substantive effect on issuing targets. Issuers and the relevant parties shall not mislead investors to purchase subordinated debts in any manner.

Subordinated Convertible Bonds

Pursuant to the Circular on Issues Concerning the Issuance of Subordinated Convertible Bonds by Listed Insurance Companies (中國保險監督管理委員會關於上市保險公司發行次級可轉換債券有關事項的通知) implemented on 15 May 2012, "subordinated convertible bonds" refers to bonds issued by listed insurance companies and listed insurance group companies in accordance with statutory procedures with a maturity of five years or more, and the repayment of principal and the payment of interests of which is subordinated to policy liabilities and other ordinary liabilities during bankruptcy settlement, which can be converted into shares pursuant to prescribed conditions within a certain period. Subordinated convertible bonds can be incorporated into the company's supplementary capital before being converted into shares. The ratio and standard of subordinated convertible bonds to be incorporated into supplementary capital are otherwise provided by the CIRC.

Listed insurance companies and listed insurance group companies applying for the issuance of subordinated convertible bonds shall satisfy the following requirements as well as conditions provided by securities regulatory authorities: (i) the repayment of principal and the payment of interests of subordinated convertible bonds is subordinated to policy liabilities and other ordinary liabilities during bankruptcy settlement; (ii) an insurance company shall not use its assets as mortgage or pledge for its subordinated convertible bonds; (iii) the design of terms for subordinated convertible bonds shall favour the facilitation of the conversion of subordinated convertible bonds into shares by their holders; (iv) except for circumstances provided for by securities regulatory authorities, the issuer shall not otherwise confer put option to a holder of subordinated convertible bonds.

Insurance Company Cancellation and Business Transfers

Under the PRC Insurance Law, where an insurance company needs to be dissolved as a result of any split, merger, resolution of the shareholders' meeting or occurrence of a cause of dissolution prescribed in the articles of association of the company, it shall be dissolved upon the approval of the insurance regulatory authorities under the State Council. An insurance company which operates the life insurance business shall not be dissolved except for any split, merger or cancellation according to law. Where an insurance company dissolves, it shall set up a liquidation team to proceed with liquidation in accordance with law. Where an insurance company which operates the life insurance business is cancelled or declared bankrupt according to law, it must assign its life insurance contracts and liability reserves to another insurance company which operates the life insurance business; where it cannot reach an assignment agreement with another insurance company, the insurance regulatory authorities under the State Council shall designate an insurance company which operates the life insurance business to accept the assignment.

Deployment of Insurance Funds

Legal Framework

In recent years, the CIRC has gradually loosened regulation on the deployment of insurance funds, and the fields of insurance funds that can be invested in have been gradually increased. Currently the important laws and regulations related to the deployment of insurance funds include: PRC Insurance Law, the Interim Management Measures on the Deployment of Insurance Funds (保險資金運用管理暫行辦法) amended on 4 April 2014, the Interim Measures for the Administration of Securities Investment Funds (保險公司投資證券投資基金管理暫行辦法) implemented on 17 January 2003, the Provisional Regulations on Administration of Stock Investment of Insurance Institutional Investors (保險機構投資者股票投資管理暫行辦法) implemented on 24 October 2004, the Pilot Regulations on Indirect Investment of Insurance Funds in Infrastructure Projects (保險資金間接投資基礎設施項目試點管理辦法) implemented on 14 March 2006, the Interim Measures for the Administration of Overseas Investment of Insurance Funds (保險資金境外投資管理暫行辦法) implemented on 28 June 2007, the Notice of Regulating Insurance Agency's Equity Investment Business (關於規範保險機構股票投資業務的通知) implemented on 18 March 2009, the Interim Measures for Equity Investment with Insurance Funds (保險資金投資股權暫行辦法) implemented on 31 July 2010, the Interim Measures for the Investment of Insurance Funds in Real Estate (保險資金投資不動產暫行辦法) implemented on 31 July 2010, the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則) implemented on 12 October 2012, the Interim Measures for the Investment of Insurance Funds in Bonds (保險資金投資債券暫行辦法) implemented on 16 July 2012, the Notice on Issues Relating to the Investment in Equity and Real Property with Insurance Funds (關於保險資金投資股權和不動產有關問題的通知) implemented on 16 July 2012, the Notice on the Investment with Insurance Funds in Relevant Financial Products (關於保險資金投資有關金融產品的通知) implemented on 12 October 2012, the Interim Provisions for the Administration of Debt Investment Schemes for Infrastructure (基礎設施債權投資計劃管理暫行規定) implemented on 12 October 2012, the Interim Measures for the Participation of Insurance Funds in the Trading of Financial Derivatives (保險資金參與金融衍生產品交易暫行辦法) implemented on 12 October 2012, Measures for the Pilot Programme of Establishing Fund Management Companies by Insurance Institutions (保險機構投資設立基金管理公司試點辦法) implemented on 18 June 2013, the Notice of the China Insurance Regulatory Commission on Regulating the Bank Deposit Business for Insurance Funds (關於規範保險資金銀行存款業務的通知) implemented on 28 February 2014, the Notice of the China Insurance Regulatory Commission on Issues concerning the Investment of Insurance Funds in Preferred Shares (關於保險資金投資優先股有關事項的通知) implemented on 17 October 2014, the Circular on Strengthening and Improving the Oversight of the Percentages for the Application of Insurance Proceeds (關於加強和改進保險資金運用比例監管的通知) (hereinafter referred to as Circular on Oversight of the Percentages) implemented on 23 January 2014, the Circular on Matters Relevant to the Investment of Insurance Capital in Venture Capital Funds (關於保險資金投資創業投資基金有關事項的通知) implemented on 12 December 2014, the Notice of the China Insurance Regulatory Commission on Adjusting the Policies Relating to Overseas Investment with Insurance Funds (關於調整保險資金境外投資有關政策的通知) implemented on 27 March 2015.

The Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (國務院關於加快發展現代保險服務業的若干意見), promulgated on 10 August 2014, stated that "the distinct advantage of insurance long-term funds should be made full use. Under the precondition of security and profitability, make innovations to insurance fund deployment and improve the efficiency of fund allocation. The deployment of insurance funds to promote projects such as infrastructure construction, shanty town renovation, urbanisation and national major projects through debt investment plan and equity investment plan will be encouraged. Insurance companies should be encouraged to provide financial support to technology enterprises, small and micro companies, strategic emerging industries through various approaches such as equity interest investment, bond investment, funds and asset-backed plans, with the precondition that risks are properly controlled. The research on policies for insurance funds to invest into venture capital funds should be carried forward." According to this document, the investment field of insurance funds will be further expanded.

Bank Deposits

Pursuant to PRC Insurance Law, the Interim Measures for the Administration of Deployment of Insurance Funds (保險資金運用管理暫行辦法), and the Notice of the China Insurance Regulatory Commission on Regulating the Bank Deposit Business for Insurance Funds (關於規範保險資金銀行存款業務的通知), the insurance fund could be deployed for bank deposits, and an insurance company shall incorporate its bank deposits other than demand deposits as needed in maintaining its routine operations into the administration of investment accounts, strictly implement the rules for credit assessment, investment decision-making, and risk management improve the management of operational procedures such as the opening of accounts, transfer of funds, and safekeeping of documents, and procure operations in compliance with regulations.

For an insurance company engaging in deposit business, the deposit bank should satisfy the following conditions and shall have a long-term credit rating of A or equivalent to A or above for the latest year:

- capital adequacy ratio, net assets and provision coverage ratio satisfy regulatory requirements;
- having a normative governance regulatory structure, integrated internal control system and sound operating results;
- no material violations of laws or regulations found for the past three years; and
- having a credit rating above investment grade for three consecutive years.

When an insurance company engaging in the bank deposit business, it should choose a commercial bank with insurance fund custodian qualification or a third-party custody should be implemented by other professional financial institutions, so as to prevent the risk of fund misappropriation. The duties of a fund custodian include, at least, keeping document, interest settlement and cash withdraw, financial accounting, investment supervision and information reports.

Any insurance company shall not use its bank deposit for providing pledge financing to others, guarantees, entrusted loans or seeking benefits for others. If an insurance company finances itself by pledging its bank deposits, the obtained funds should be primarily used for the needs like temporary position adjustments and large-amount insurance claim, the amount of financing will be covered by the financial leverage ratio management.

An insurance company shall promptly report banking deposits information in accordance with the related regulations. Insurance companies that pledged bank deposits for their own financing should report transaction by transaction, and its trustee agency should do the same.

Bonds

Pursuant to the Interim Measures for the Administration of Deployment of Insurance Funds (保險資金運用管理暫行辦法) and the Interim Measures on Bonds Investment with Insurance Funds (保險資金投資債券暫行辦法), bonds invested by insurance funds shall attain the credit rating as assessed by credit rating agencies recognised by the CIRC and comply with the stipulated credit rating requirements, which mainly comprise government bonds, finance bonds, enterprise (corporate) bonds, non-financial enterprise debt financing tools and other bonds that meets the regulatory requirements. The Interim Measures for the Administration of Deployment of Insurance Funds also states that insurance funds can be deployed to invest in RMB bonds and foreign currency bonds legally issued in the PRC, including government bonds, potential government bonds, enterprise (corporate) bonds and other bonds that meets the regulatory requirements.

Equity of Listed Companies

Pursuant to the Notice of the China Insurance Regulatory Commission on Regulating the Stock Investment Business of Insurance Institutions (關於規範保險機構股票投資業務的通知), an insurance company shall, in light of the characteristics of insurance funds and its solvency, uniformly allocate the domestic and overseas stock assets and reasonably determine the stock investment scale and proportion.

Securities Investment Funds

Pursuant to the Interim Measures for the Administration of Securities Investment Funds (保險公司投資證券投資基金管理暫行辦法), insurance funds can invest in the securities investment funds set up or regulated by the Interim Measures for the Administration of Securities Investment Funds (證券投資基金管理暫行辦法) and the Pilot Projects for Open-ended Securities Investment Funds Procedures (開放式證券投資基金試點辦法).

Equity of Unlisted Companies and Equity Investment Funds

Pursuant to the Interim Measures for Equity Investment with Insurance Funds (保險資金投資股權暫行辦法) and the Notice on Issues Relating to the Investment in Equity and Real Property with Insurance Funds (關於保險資金投資股權和不動產有關問題的通知), insurance company can invest in unlisted corporate shares and equity investment funds.

An enterprise to which direct or indirect equity investment is made with insurance funds shall satisfy the following conditions:

- it was legally registered and formed and has the legal person status;
- it complies with the industrial policies of the state and has the qualifications prescribed by the relevant departments of the state;
- its shareholders and senior managements have a good credit and good business reputation;
- its industry is at the stage of growth or maturity or is a strategical emerging industry, or it has the specific intent of going public and has relatively high value for mergers and acquisitions;
- it has advantages in terms of market, technologies, resources, or competition and has room for value appreciation, expects good cash returns and has a specific dividend system;
- its management team has the professional knowledge, industrial experience and management ability appropriate for performing its functions;
- it is not involved in any major legal disputes, the property rights of its assets are integrated and intact, and there is no legal defect in its equities or ownership;
- it has no affiliated relationship with any insurance company, investment institution or professional institution, except for the relationships permitted by regulatory provisions, and have been reported and disclosed in advance; and
- it satisfied other prudent conditions as prescribed by the CIRC.

No insurance funds shall be invested in the equity of an enterprise which does not comply with the industrial policies of the state, has no prospect for a stable cash return or appreciation in asset value, is under high pollution or is a high energy-consuming project, fails to reach the national standards on energy conservation or environmental protection, has relatively low added value in technology.

An insurance company that invests in the equities of enterprises of the insurance business is not governed by the second, fourth, fifth and eighth subparagraphs of the preceding paragraph.

Equity directly invested by insurance funds is limited to the equity of insurance enterprise, non-insurance financial enterprise, and pension agency, medical institution, automotive services company, energy enterprise, resources enterprise, modern agricultural enterprise and new trade circulation enterprise that related to insurance business.

According to the provisions of the Trial Measures on the Investment in and Establishment of Fund Management Companies by Insurance Agencies (保險機構投資設立基金管理公司試點辦法), insurance institutions (including insurance companies, insurance (holding) companies, insurance asset management companies and other insurance institutions) are allowed to invest in and establish fund management companies, and engage in the fund management business. The investment in and establishment of a fund management company shall comply with the above requirements related to equity investment and be subject to the regulatory opinions from the CIRC regarding to the investment in the fund management company. The insurance institution shall make an application to the CSRC after obtaining such regulatory opinions, and then may establish the fund management company by way of promotion or through the acquisition of equity interests after such approval has obtained. The insurance institution and the fund management company invested and established by it shall set up sound corporate governance, and a risk-insolation system between the insurance institution and the fund management company interested and established by it in strict compliance with the principle of "separate legal entities". Subject to the compliance with relevant laws and regulations as well as regulatory requirements, the insurance institution may invest in fund products issued by the fund management company invested and established by it, and may also provide financial assistance for such company. However, the insurance institution shall not conduct transactions with the fund management company invested and established by it on terms that are more favourable than those offered to independent third parties in similar transactions in the inter-bank market, the exchange market and other markets. The CIRC shall implement consolidated reporting supervision over fund management companies established by insurance agencies.

Equity funds that invested by insurance funds includes growth funds, mergers and acquisition funds, emerging strategic industry funds and fund of funds that targets on the above equity funds. Among them, the investment targets of mergers and acquisition funds may include publicly traded stocks, but only limited in non-trading transactions like strategic investment, private placement, block transaction, and the scale of investment shall be no more than 20% of the balance of the fund assets. The investment targets of emerging strategic industry funds may include financial services company equity, pension agency equity, medical enterprise equity, and modern agricultural enterprise equity and the equity of the enterprises that invest in construction, administration, and operation of public rental housing or low-rent housing. Transaction structure of fund of funds should be simple and clear and shall not include other fund of funds.

Real Estate

Insurance companies invest in real estate projects should clearly state the position of investors and commission the qualified development institutions to construct the projects; they shall not develop their own construction investment projects and shall not appropriate the insurance funds.

Insurance companies invest in real estate may not aim on investment-purpose real estate and participate in primary land development in the name of self-use real estate. When an insurance company converts self-use real estate to investment-purpose real estate, the reason and the necessity of the conversion should be fully demonstrated and ensure the fairness of the conversion value, and it shall not take advantage of asset reallocation to transfer benefits or harm the interests of policyholders.

Insurance funds may be invested in the real estate that satisfies the following conditions:

- Projects with a state-owned land use right certificate and a license for construction land use planning;
- Projects under construction with a state-owned land use right certificate, a license for construction land use planning, a license for construction project planning and a construction license;
- Transferable projects with a state-owned land use right certificate, a license for construction land use planning, a license for construction project planning, a construction license, and a presale license or sale license;
- Projects with a property certificate or certificate of other rights; and
- Qualified government land reserve projects.

The real estate invested with insurance funds shall have clear property rights with no dispute with respect to ownership, have complete, legal and effective right certificates, and be located in a municipality directly under the Central Government, provincial capital city, city under separate state planning, or a city with obvious location advantages. The management rights shall be relatively centralised so as to satisfy the requirements for insurance asset allocation and risk control.

Insurance funds may invest in the financial product related to real estate and should satisfy the following conditions:

- the investment institutions are in line with Article 9 of the Interim Measures for the Investment of Insurance Funds in Real Estate (保險資金投資不動產暫行辦法);
- it is approved by the relevant government authorities, initiated or issued in China, and supervised by a professional team;
- the underlying assets and invested real estate is located in China and in line with the above-mentioned conditions when insurance funds directly invest in real estate;
- it implements an asset custody system and establishes a risk-isolation mechanism;
- it has a clear investment objective, investment scheme, follow-up management plan, income distribution system, liquidity and settlement arrangements;
- the transaction structure is clear, risk alarm is sufficient, and information disclosure is truthful and complete;

- it has a registration or bookkeeping arrangement to meet the needs of market transactions or transfer agreement; and

- it satisfies other prudent conditions as prescribed by the CIRC.

Real estate-related financial product is a fixed-income product and should have a long-term credit rating of, or equivalent to, AA or above, which is assessed by domestic credit rating agency approved by the CIRC, and provide legal and valid credit enhancement arrangements; for equity product, an appropriate investment rights protection mechanism should be established.

Insurance companies which invest in real properties must not engage in the following activities:

- offering unsecured debt financings;

- providing mortgage guarantee with their invested properties;

- investing in the development or sale of commercial residential properties;

- directly conducting the development of residential properties (including the development of tier-one land);

- investing in the establishment of real estate development companies or in the equity of unlisted real estate enterprises (excluding project companies), or controlling real estate enterprises by purchasing their shares. Insurance companies which have invested in and established or controlled any real estate enterprises must exit or transfer the shares to other parties within a specified period;

- investing in real properties with funds raised by borrowing, issuing debt, repurchasing and lending, unless debt issuance is otherwise permitted by the CIRC;

- violating the requirements stipulated in the Interim Measures for the Investment of Insurance Funds in Real Estate with respect to investment proportion;

- other activities prohibited by the CIRC as well as laws and regulations.

Infrastructure

Pursuant to the Administrative Measures for the Pilot Indirect Investment of Insurance Funds in the Infrastructure Projects (保險資金間接投資基礎設施項目試點管理辦法) (the "Administrative Measures"), insurance funds can be invested in qualified infrastructure project through trustees. The infrastructure project indirectly invested by insurance funds, in the Administrative Measures, refers to the principal entrusts its insurance funds to the trustee, according to the wishes of the principal, the trustee, in his own name, develops an investment plan and invest in infrastructure project, for the interest of the beneficiary or other specific purposes to manage or dispose.

Pursuant to the Interim Administrative Provisions on the Infrastructure Debt Investment Scheme, a debt investment scheme refers to a financial product, by which an insurance asset management company and other professional management institution ("professional management institution"), as trustee, issue beneficiary certificates to principals, the Administrative Measures and Interim Administrative products on the Infrastructure Debt Investment Scheme, and the raised fund is used to invest in infrastructure projects by way of debt and pay the expected return and repay the principals as well as interests.

A debt investment scheme of a professional management institution shall comply with the following requirements: (i) the professional management institution has signed investment contract with the indebted body, the underlying assets of the product is clear; the investment and investment strategy direction of fund raising is in line with the state macroeconomic policy, industrial policy, regulatory policy and relevant regulations; (ii) the transaction structure is clear, and an investor rights protection mechanism is established; (iii) the interests in the debt investment scheme are divided into equal shares; and (iv) it meets other product requirements as provided by the CIRC.

A debt investment scheme of a professional administrative institution shall ensure effective credit enhancement, and satisfy the following requirements:

(i) Credit enhancement mode and the sources of repayment funds of the underlying project company are independent of one another.

(ii) Credit enhancement adopts the following measures or a combination of these measures:

(a) Class A enhancement mode: state special fund, policy-related bank, state-owned bank or joint-stock commercial bank whose credit rating achieved AA level or above in the previous year, provides unconditional and irrevocable joint liability guaranty with principal and interest in full. If a provincial branch of the above banks provides such guarantee, it shall provide legal documents authorised by its head office and explain its guarantee limit and the guarantee amount that already provided.

(b) Class B enhancement mode: legally established enterprise (company), which was incorporated in China, provides unconditional and irrevocable joint liability guaranty with principal and interest in full and satisfies the following conditions:

(1) the guarantor's credit rating shall not be less than the credit rating of the indebted body;

(2) if the issuing scale of the debt investment scheme is no more than RMB2 billion, the net assets of the guarantor at the end of the previous year shall not be less than RMB6 billion; if the issuing scale of the creditor's right investment scheme is above RMB2 billion and no more than RMB3 billion, the net assets of the guarantor at the end of the previous year shall not be less than RMB10 billion; if the issuing scale of the debt investment scheme is more than RMB3 billion, the net assets of the guarantor at the end of the previous year shall not be less than RMB15 billion;

(3) the proportion between the total guarantee amount of the same guarantor to its net assets should not exceed 50%. All guarantee amount and the net assets should calculate and determine according to the scope of the assets the guarantee body provides;

(4) if the parent company or actual controller of an indebted body provides guarantee, the net assets of the guarantor shall not be less than 1.5 times of the net assets of the indebted body;

(5) all legal formalities for providing guarantees have been handled.

(c) Class C enhancement mode: provide listed tradable shares, which has high liquidity and full right of disposal, and whose fair value is not less than 2 times of debt value, as collateral security, or provide right of charge, which can be transferred according to law, as collateral guarantee, or provide physical assets with value-added potential and easy realisation, which the guarantor has right to dispose of in accordance with the law and no other right attached, as collateral. Collateral should be registered, and mortgaged should be ranked first in terms of real right, the collateral value shall not be less than 2 times the value of debt.

The fair value of the pledged assets shall be assessed by the assessment agency with the highest professional qualifications, and be re-evaluated at least once a year. If the value of collateral assets declines or a liquidity risk occurs, which may impact the property safety of creditor's right investment scheme, the relevant professional management agency should take timely measures like start stop-loss mechanism, increase guarantee body, add legal and sufficient collateral to ensure the guarantee is sufficient and effective.

If a creditor's right investment scheme meets the following conditions, it may be exempted from the credit enhancement:

(1) the net assets of the debt body in the last two fiscal years was not less than RMB30 billion, its annual revenues is no less than RMB50 billion, and in accordance with the requirements in the Administrative Measures and the Interim Administrative Provisions on the Creditor's Right Investment Scheme of Infrastructure (基礎設施債權投資計劃管理暫行規定);

(2) the indebted body has issued unsecured bonds over the last two years, and the credit rating of the indebted body and the issued bonds were both graded as AAA level;

(3) the issuing scale of the bonds was no more than RMB3 billion.

Preferred Shares

Pursuant to the Notice of the China Insurance Regulatory Commission on Issues concerning the Investment of Insurance Funds in Preferred Shares (關於保險資金投資優先股有關事項的通知), the term "preferred shares", in which insurance funds are allowed to invest, means a class of shares prescribed in addition to common shares in accordance with relevant laws and regulations of China, the holders of which have priority over those of common shares in the distribution of profits and residual assets but have restricted rights in decision-making and management of the company. Preferred shares include those publicly offered and non-publicly offered.

Preferred shares in which insurance funds invest shall have a long-term credit rating of, or equivalent to, A or above. Preferred shares in which insurance funds invest shall be rated by credit rating agencies, which approved by the CIRC; the credit rating of preferred shares, in principle, should be at least two levels below the credit rating of the recent ordinary debt or at least one level below the credit rating of subordinated debt (if both of them exist, subject to the lower level). If an issuer has recently issued ordinary or subordinated debt and it has been graded by the early-mentioned rating agencies and existed, the credit rating of preferred stock can be directly determined by the rating agencies in accordance with the above principle.

Venture Capital Fund

Pursuant to the Notice of the China Insurance Regulatory Commission on Matters concerning the Investment of Insurance Funds in Venture Capital Funds (關於保險資金投資創業投資基金有關事項的通知), insurance funds can be invested in private equity funds that established accordance with the law and administered by qualified fund management institutions. The said private equity funds mainly invest ordinary shares of venture company or preferred stock that can be lawfully converted into ordinary shares, convertible bonds and other equity.

A fund management institution that invests insurance funds in venture capital funds shall satisfy the following conditions:

- it shall be established according to the law, with sound and effective corporate governance, internal control mechanism and management system, over 5 years of experience in venture capital management, outstanding historical performance, and accumulative size of venture capital asset under management no less than RMB1 billion;

- it shall have arranged an exclusive and stable management team with at least five investment professionals, no less than a total of ten venture capital projects from which it successfully exited, at least three investment professionals who have been working together for five years, and investment decision-makers with more than five years of experience in venture capital management, including at least two people with more than three years of experience in enterprise management and operation;

- it shall have established an incentive and restraint mechanism, a follow-up investment mechanism, an asset custody mechanism and a risk isolation mechanism, and there is no conflict of interest between the different assets that it manages;

- it shall answer the questions involving investment of insurance funds asked by the CIRC, and report the relevant situation;

- having no record of significant violation of laws in the past three years.

Venture capital funds in which insurance funds invest should not be the first venture capital fund administered by fund management institution, and it shall satisfy the following conditions:

- venture company invested by insurance funds should be established in China by law and in line with state industrial policy, with an excellent management team and strong growth potential, the key management personnel of the company should have no record of serious violation of law;

- the size of each fund shall not exceed RMB500 million;

- the balance invested in a single venture equity by a single fund shall not exceed 10% of the size of the fund raising;

- the fund balance invested or subscribed by general partner of an fund (or fund management institution) and related parties, key management personnel of the fund shall not be less than 3% of the total size of the fund raising.

Securitised Financial Products

Pursuant to the Circular on Investment in Relevant Financial Products with Insurance Proceeds (關於保險資金投資有關金融產品的通知), insurance funds may invest in the wealth management products of commercial banks, in accordance with law, credit asset-backed securities of the banking financial institutions, collective assets trust schemes of trust companies, special assets management schemes of securities companies, infrastructure investment schemes of insurance assets management companies, real estate investment schemes, project asset-backed schemes and other financial products.

Financial Derivatives

According to the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (保險資金參與金融衍生產品交易暫行辦法), insurance (holding) companies or insurance companies may participate in financial derivatives trading (hereinafter referred to as the "derivatives trading") and subject to the Measures and relevant requirements, may also entrust insurance asset management companies and other professional management institutions which meet requirements of the CIRC to participate in derivatives trading within the scope of authorisation. Derivatives trading shall refer to domestic derivatives trading, excluding offshore derivatives trading.

Financial derivatives (hereinafter referred to as "derivatives") refer to financial contracts whose values rely on one or more fundamental assets, indicators or special events, including forwards, futures, options and swaps. Insurance institutions' participation in derivatives trading is limited to hedging or avoiding risks and not for speculation purposes.

Overseas Investment

Pursuant to the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法) and the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則), if an insurance company plans to be in the engagement of overseas investments with insurance funds, it shall file an application with the CIRC and ask for approval. A sponsor who has been approved by the CIRC to be in the engagement of the business of overseas investment with insurance funds shall file an application with the SAFE for the quota for foreign exchange remittance due to overseas investment.

When conducting overseas investments, insurance funds shall select the financial markets in the countries and regions listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則) and invest in the following types of products:

(1) *Money market products*

Money market tools or products such as commercial notes with a term less than one year, bank notes, significant and transferable certificate of deposit, reverse repos and short-term treasury bonds and overnight loans.

The issuers of the money market products (including securities pledged under reverse repo) must have a credit rating of A or above.

(2) *Fixed income products*

Fixed income products include bank deposits, government bonds, government-backed bonds, supranational financial institution bonds and corporate bonds and convertible bond.

Bonds should be denominated in a major international currency, and the issuer and the debt must have a credit rating of BBB or above ranked by an internationally-recognised rating agency. In accordance with the relevant regulation, if an exemption from the above requirement as to credit ratings applies, the issuer shall have not less than the credit rating required in respect of the bond. Bonds issued by the PRC Government outside of China's territory are not subject to the requirements as to credit rating referred to above. The convertible bonds should be listed on an exchange in a prescribed country or region listed in the regulation.

(3) *Equity products*

Equity products include ordinary/preference shares and global/American depository receipts and equities of unlisted companies in certain industries.

The stocks and depository receipts must be listed on the main board of a stock exchange in a country or region listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則).

Direct invested equity of unlisted companies is limited to equity investments in corporates in finance, pension, health care, energy, resources, car services and modern agriculture.

(4) *Real estate products*

Direct investment in real estate products are limited to commercial real estate located in the central business districts of the major cities of the designated developed countries/regions listed in the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則). The said commercial real estate should be established commercial real estate and office real estate with stable income.

Insurance companies shall, pursuant to the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法) and the Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法實施細則), report the status of overseas investment of insurance fund to the CIRC.

Prohibitive Regulations

An insurance group (holding) company or an insurance company engaged in the deployment of insurance funds shall not commit any of the following acts:

- depositing insurance funds in non-banking financial institutions;
- purchasing the shares under "special treatment"(ST) or "special treatment of delisting risk warning"(*ST) imposed by stock exchanges;
- investing in enterprises' equities or real estate that has no prospects for a stable cash return or value of asset gain, or that is under high-polluting projects not in conformity with the national industry policies;
- directly engaging in the development and construction of real estate;
- using the investment assets formed from the deployment of insurance funds to provide guarantees or grant loans, with the exception of granting personal policy-pledged loans;
- engaging in venture capital investment;
- other investments prohibited by the CIRC.

Oversight of the Percentages

The Circular on Strengthening and Improving the Oversight of the Percentages for the Application of Insurance Proceeds (關於加強和改進保險資金運用比例監管的通知) was promulgated and implemented on 23 January 2014. According to its contents, “the Circular will take effect on the date of promulgation, the oversight percentage of the original investment of insurance funds and the applicable investment ratio of innovative pilot business will be cancelled.” According to this provision, the provisions about the oversight percentage of insurance funds invested in various investment products before dispersing will no longer apply.

For the purpose of supervision on insurance funds, the investment assets of insurance companies are classified into five categories, namely, liquid assets, fixed-income assets, equity assets, real estate assets and other financial assets.

For the largest assets allocation of insurance companies, the following ratio should be implemented:

- Book balance of the invested equity assets should, in total, no more than 30% of the total assets of the company at the end of the latest quarter, and book balance of the major equity investment should be not more than the company’s net assets at the end of the latest quarter. Book balance does not include insurance company equity that invested through its own funds.

- Book balance of the invested real estate assets should be no more than 30% of the total assets of the company at the end of the latest quarter. Book balance does not include self-use real estate purchased by the insurance company.

- Book balance of the self-use real estate purchased by the insurance company should be no more than 50% of the net assets of the company at the end of the latest quarter.

- Book balance of other invested financial assets should be no more than 25% of the total assets of the company at the end of the latest quarter.

- Balance of the overseas investment should be, in total, no more than 15% of the total assets of the company at the end of the latest quarter.

For setting cap on the insurance funds that insurance companies invest in a single asset and a single counterparty, the following ratio should be implemented:

- Book balance of the invested single fixed-income assets, equity assets, real estate assets, and the other financial assets, should be no more than 5% of the company’s total assets at the end of the latest quarter. Excluding investments such as domestic central government bonds, quasi government bonds, bank deposits, major equity investment and insurance corporate equity invested by its own funds, purchase of real property for its own use, and purchase of insurance asset management products within the group.

If an insurance company which invests in shares in a listed company has the right to participate in the financial and operating policy decisions of the listed company. If they are able to exercise control over the listed company, the investment shall be subject to equity investment regulation and shall comply with the relevant regulations on equity investments of insurance funds.

A single asset investment refers to investing in a single specific asset product among the largest assets. The investment product is issued in instalments; book balance of single asset investment is the total investment balances of each instalment.

- Balance of the investment in a single legal entity, in total, should be no more than 20% of the total assets of the company at the end of the latest quarter. Excluding investments such as domestic central government bonds, quasi government bonds, and insurance corporate equity invested by its own funds.

A single legal entity refers to a single financing body that insurance companies invest in and forms a direct contractual relationship or direct equity relationship with it, and the body possesses independent legal personality.

Pursuant to the Circular on Strengthening and Improving the Oversight of the Percentages for the Application of Insurance Proceeds (關於加強和改進保險資金運用比例監管的通知), insurance companies should add up the oversight percentages of the largest assets both inside and outside of China.

Insurance Assets Management Company

Pursuant to the Interim Provisions on the Administration of Insurance Assets Management Companies (保險資產管理公司管理暫行規定), which was amended on 7 April 2011, the term “insurance assets management company” refers to a financial institution registered according to law upon the approval of the CIRC together with the relevant departments, and manages insurance funds by entrustment.

Shareholders’ Qualification

The main promoter shall be the shareholder of the insurance shareholding (group) company or the insurance company when establishing an insurance assets management company, and the said insurance company or insurance shareholding (group) company shall satisfy the following conditions:

- having undertaken insurance business for more than five years;

- having no record of administrative punishment for violation of the provisions on capital arrangement in the past three years;

- the solvency margin ratio must not be less than 150%, the total assets are no less than RMB10 billion; while the total assets of the insurance group (holding) shall be no less than RMB15 billion;

- meeting the requirements for the solvency margin as prescribed by the CIRC;
- having sound corporate governance structure and internal control system;
- having established the corresponding departments for asset-liability matching management and risk control department, and having an adequate investment information management system;
- the proportion of assets used and managed in a centralised way by the departments of capital arrangement shall be no less than 50% of the total assets of the company, of which such proportion of an insurance company that has life insurance business shall be no less than 80% of the total assets of the company; and
- other conditions as prescribed by the CIRC.

The stakes of the insurance asset management companies that domestic insurance companies are holding shall not be less than 75%.

Registered Capital

The registered capital of an insurance asset management company shall not be less than RMB100 million or an equivalent amount in a freely convertible currency, its registered capital shall be paid-in monetary capital.

Business Scope

The scope of business of an insurance asset management company includes all or part of the following:

- To manage RMB or foreign currency entrusted by client;
- To manage and utilise self-possessed funds in RMB or foreign currency;
- To launch the business of insurance asset management products;
- Other types of business approved by the CIRC; and
- Types of business approved by other authorities of the State Council.

Establishment and Qualification

To establish an insurance asset management company, the policyholder shall submit a written application to the CIRC, and the CIRC shall conduct a preliminary review of the application and make a decision as to whether or not to grant an approval. If the establishment is approved, the policyholder shall complete the preparation within 6 months after receiving the approval from the CIRC, and submit an application for operation to the CIRC. If the CIRC approves the operation, a License for Conducting Insurance Asset Management Business (經營保險資產管理業務許可證) shall be issued.

To establish branch offices, an insurance asset management company shall go through two procedures, namely preparation and opening for business.

Supervision and Regulation

Within 20 days after signing the insurance funds management contract and the custodian contract, the insurance asset management company shall submit a photocopy of the said contracts to the CIRC. In accordance with the CIRC's regulations, the insurance asset management company shall submit relevant documents and other materials such as a balance sheet, profit and loss accounts, business statistics, financial analysis report, etc. to the CIRC.

Asset Management Product Business

In accordance with the Interim Measures for the Administration of Deployment of Insurance Funds (保險資金運用管理暫行辦法), an insurance asset management institution may, subject to the requirements of the CIRC, conduct insurance asset management product business by using the investment instruments within the scope of deployment of insurance funds as fundamental assets. In accordance with the Notice of the China Insurance Regulatory Commission on Relevant Issues concerning the Pilot Operation of Asset Management Product Business by Insurance Asset Management Companies (中國保監會關於保險資產管理公司開展資產管理產品業務試點有關問題的通知) with effect from 4 February 2013, insurance asset management companies may conduct insurance asset management product business. For the purpose of the notice, "asset management products" means the financial instruments whereby insurance asset management companies, as the manager, sell standardised product shares to investors and raise funds, and custody institutions, as the asset custodian, conduct investment management by utilising product assets for the interests of investors. Asset management products shall only be issued to domestic insurance group (holding) companies, insurance companies, insurance asset management companies and other qualified investors with the capacity to recognise and bear risks, including directional products issued to a single investor and collective products issued to multiple investors. For directional products issued to a single investor, the initial subscription funds of investors shall not be less than RMB30 million; and for collective products issued to multiple investors, the total number of investors shall not exceed 200 and the initial subscription funds of single investors shall not be less than RMB1 million.

To qualify for conducting insurance asset management product business, an insurance asset management company must satisfy the following conditions:

- It has a sound corporate governance, a good reputation in the market, and the asset management qualification ratified by the competent authority of the state;

- It has sound operating flows, internal control mechanisms and risk management and audit systems, and has established fair trading and risk isolation mechanisms;

- It has diversified product lines and stable investment performance in the past;

- It has specialised positions for product development, investment research, investment management, risk control, performance evaluation and consulting service;

- It has a stable investment management team and has at least 15 professionals with the relevant qualifications and investment experience among whom at least five persons have five or more years of investment experience and at least five persons have three or more years of investment experience;

- No significant violation of laws or regulations within the past three years;

- Its registered capital is not less than RMB100 million;

- Its balance of assets under management is not less than RMB10 billion; and

- It has over one year experience of entrusted investment.

Assets management products can only be invested in bank deposits, stocks, bonds, securities investment funds, central bank notes, debt financing instruments of non-financial companies, credit asset-backed securities, infrastructure investment plan, real estate investment scheme, project asset-backed plan and other assets recognised by the CIRC. If the investment scope of asset management products includes infrastructure investment plan, real estate investment scheme, project asset-backed plan and other types of investment, insurance asset management companies shall explain, among others, the investment percentage, valuation principle, valuation method and liquidation support measures in the product contracts and prospectus.

Asset management products shall be on custody. Custodians shall have the qualifications as an insurance fund custodian and perform duties such as safekeeping product assets, supervising product investment behaviours, reviewing net value of products, disclosing custody information and participating in settlement of product assets.

First issue of asset management products by insurance asset management companies requires prior approval and subsequent issues of products may be reported following the issue.

Insurance Brokerage Institutions

Pursuant to the PRC Insurance Law and Provisions on the Supervision of Insurance Brokerage Institutions (保險經紀機構監管規定) that was revised on 27 April 2013, the term "insurance brokerage institutions" means institutions which offer intermediary services for the conclusion of insurance contracts between the policyholders and insurance companies based on the benefits of the insured and charge commissions under the contractual stipulations, including insurance brokerage companies and their branches.

Requirements for Establishment

To establish an insurance brokerage company, a policyholder shall satisfy the following conditions:

- its shareholders or promoters must have good standing and have no record of serious violation of law within the past three years;
- its registered capital satisfies the minimum amount as prescribed in the PRC Company Law of and the Measures on the Supervision of Insurance Brokerage Institutions (保險經紀機構監管規定);
- its articles of association comply with relevant provisions;
- its chairman, executive directors and senior managements satisfy the appointment qualifications under these Provisions;
- it has a sound organisational structure and well-established management rules;
- it has a fixed business premises that is suitable for its business scale;
- it has business and financial computer software and hardware and equipment for its business operation; and
- other conditions as prescribed by laws, administrative regulations and provisions of the CIRC.

Registered Capital

The registered capital of an insurance brokerage company shall not be less than RMB50 million save as otherwise provided by the CIRC.

The registered capital of an insurance brokerage company shall be paid-in monetary capital.

Scope of Business

An insurance brokerage institution may engage in the following businesses:

- making insurance proposals to policyholders, selecting insurance companies and handling relevant insurance formalities;
- assisting the insured or beneficiaries to claim for compensations;
- engaging in the reinsurance brokerage business;
- providing consulting services to clients in respect of prevention against disaster and damage or risk assessment, risk management, among others; and
- other businesses approved by the CIRC.

Insurance Brokerage Business Personnel

The practitioners of an insurance brokerage institution shall meet the requirements as provided by the CIRC, and hold the eligibility certificate as required by the CIRC. The term "insurance brokerage business personnel" refers to the personnel of insurance brokerage institutions and their branches who draw out insurance proposal for insurance policyholders or the insured, handle insurance application procedure, assist claiming, or personnel who provide services of prevention against disaster and damage, risk assessment, risk management consulting services, or conduct reinsurance brokerage business.

Insurance brokerage practitioners should provide their personnel with education on insurance laws, insurance knowledge and professional ethics.

However, according to the Decision by Standing Committee of National People's Congress on Amending People's Republic of China Measurement Law and the other ten Statutes (全國人民代表大會常務委員會關於修改〈中華人民共和國計量法〉等五部法律的決定), Article 122 in PRC Insurance Law has been changed to "the insurance personnel of an individual insurance agent or an insurance agency institution and the brokerage personnel of an insurance broker shall be a person with good character and has the required expertise in insurance agency or insurance brokerage business." Accordingly, PRC Insurance Law had deleted the original requirement in the old PRC Insurance law, which reads, "the insurance personnel of an individual insurance agent or an insurance agency institution and the brokerage personnel of an insurance broker shall meet the qualification requirements set forth by the insurance regulatory authorisation under the State Council and shall obtain an insurance agent license or an insurance broker license issued by the insurance regulatory authorisation under the State Council.

As at the date of this prospectus being issued, the CIRC has not made further amendments to the Measures on the Supervision of Insurance Brokerage Institutions.

Professional Indemnity Insurance or Guarantee Deposit

Insurance brokerage institution shall arrange professional indemnity insurance, or pay guarantee deposit within 20 days as at the date at its business registration, and within ten days as at the date of arranging professional indemnity insurance or paying guarantee deposit, submit a copy of the professional indemnity insurance policy or a copy of the guarantee deposit facility agreement, and a copy of the original certificate of received deposit to the CIRC.

If an insurance brokerage company arranges professional indemnity insurance, it should ensure that the insurance remains in force, for an accident covered by the insurance, the limit of indemnity shall not be less than RMB5 million, the cumulative indemnity limit of a one-year insurance policy shall not be less than RMB10 million, while shall not be less than two times the insurance brokerage institution's revenue of the latest year. If the indemnity limit of an professional indemnity insurance reaches a total amount of RMB50 million, the compensation volume may not increase.

If an insurance brokerage company shall pay deposit, the suggested amount should be 5% of its registered capital, and if the insurance brokerage company increases its registered capital, a corresponding increase should be paid in terms of deposit; if the deposit of an insurance brokerage company has already reached RMB1 million, it may not add deposit. Deposit of an insurance brokerage company should be paid in the form of bank deposits or other forms approved by the CIRC. If the security is in the form of bank deposit, it shall be put into a special bank account in a commercial bank. The security deposit agreement shall stipulate that "the insurance brokerage institution may not draw or dispose of the security without the written approval of the CIRC. If the bank fails to fulfil its obligation of examination, it shall bear joint liabilities for the debts of the insurance brokerage institution, which shall be limited to the amount of security it has drawn on." Except for the following circumstances, the deposit shall not be used: (i) the registered capital reduces; (ii) the license is cancelled; (iii) arranging appropriate professional indemnity insurance; (iv) and other circumstances stipulated in relevant regulations by the CIRC.

Prohibited Activities

An insurance brokerage company may not engage in any of the following activities:

- Forge, alter, lease, lend or transfer the license;
- Doing business beyond the scope of business as ratified by laws and regulatory requirements;
- Going beyond insurance company's business scope and operating regions; if insurance brokerage business involves co-insurance and underwriting insurance at another locality and master policy, and the relevant regulations provided by the CIRC guiding such matters shall prevail;

- Cheating the policyholder, insured or beneficiary on insurance company: (i) concealing or fabricating any material circumstances that is related to the contract of insurance; (ii) engaging in misleading sales promotion; (iii) forging, changing the terms in insurance contract without authorisation, selling fake insurance documents or providing false evidence material to insurance contract party; (iv) obstructing the policyholder to perform the liability of declaring the facts or induce it not to perform such liability; (v) concluding insurance contract or making unauthorised changes to insurance contract without authorisation from the insured or going beyond the scope of entrustment agreements; (vi) forging insurance brokerage business or fabricating cancellation of insurance to squeeze commission; (vii) colluding with the policyholder, insured or the beneficiary for the purpose of defrauding the insurance company; (viii) any other act that is deemed by law or administrative regulation as defrauding the policyholder, insured or the insurance company.

- An insurance broker and its employees may not engage in the following activities when conducting their brokerage business: (i) coercing, inducing or limiting the conclusion of insurance contracts or limiting the proper operational activities of other intermediaries by taking advantage of administrative power, post or position or by other unfair means; (ii) embezzling or usurping the premiums or insurance money or insurance compensations; (iii) giving or promising to give benefit outside the contract to the insurance company, its staff, the policyholder, the insured, the beneficiary; (iv) using the benefit of business to seek any unjust interests to other organisations or individuals; (v) leaking commercial secrets and personal privacy of the policyholder, the insured, the beneficiary or the insurance company, which learned during the course of doing business;

- Counterfeiting, disseminating false information or injuring the reputation of other business operators in the same trade by other means. False advertising, misleading propaganda and engaging in other improper competition practices to disrupt the insurance market order;

- Having insurance brokerage connections with any organisation or individual that illegally engages in the insurance business or insurance intermediary services;

- Using payment of fees or buying insurance products as a requirement of hiring operational staff and promising unreasonably-high return, or in quantity or the practitioner's salary is mainly based on the number of the policyholder he or she developed directly or indirectly, or his or her sale performance.

Insurance Assessment Institution

Pursuant to PRC Insurance Law and the Administrative Provisions on Insurance Assessment Institutions (保險公估機構監管規定), as amended on 29 September 2013, the term "insurance assessment institutions" means institutions which specially engage in the assessment, investigation, identification, damage appraisal and adjustment of insurance objects or insurance accidents on commissions and collect commission charges as agreed. Insurance assessment institutions established in the People's Republic of China shall meet the eligibility requirements as set forth by the CIRC and have the insurance assessment business operation permit.

Establishment Requirements

To establish an insurance assessment institution, the following conditions shall be satisfied:

- the shareholders, promoters or partners have a good credit standing and commit no gross violation in the last three years;
- the registered capital or investment reaches the minimum amount prescribed by laws, administrative regulations or these Provisions;
- the bylaws or the partnership agreement conforms with the relevant provisions;
- the chairman, executive directors and senior managements meet the eligibility requirements of the Administrative Provisions on Insurance Assessment Institutions (保險公估機構監管規定);
- it has a sound organisational setup and well-established management rules;
- it has a fixed domicile commensurate with its business scale;
- it has computer software and hardware facilities for business operations and financial affairs which meet the needs of its business; and
- other conditions as prescribed by laws, administrative regulations and provisions of the CIRC.

Registered Capital

The registered capital or investment of an insurance assessment institution shall not be less than RMB2 million which must be paid-in monetary capital.

Promoter, Shareholder or Partner

An entity or individual prohibited by any law or administrative regulation from investing in enterprises may not be a promoter, shareholder or partner of any insurance assessment institution.

Where any employee of an insurance company intends to invest in an insurance assessment institution, he shall notify the insurance company in writing. Where a director or a member of the senior management of an insurance company or insurance intermediary institution intends to invest in an insurance assessment institution, he shall obtain the approval of the shareholders' meeting or the assembly of shareholders pursuant to the PRC Company Law.

Establishment

Applications should be submitted to the CIRC for any setting up of insurance assessment institutions and their affiliates. The CIRC will issue licenses to those applicants who have obtained approvals, according to the laws, to set up insurance assessment institutions and insurance assessment affiliates.

Scope of business

Insurance assessment institutions are permitted to conduct the following businesses:

- To examine, value and assess the risk of the insured subject before and after underwriting;
- To survey, examine and adjust the loss of the insured subject after the occurrence of an insured peril, and to assess the residual value of the insured subject after the incident;
- Risk management advisory business;
- Other businesses approved by the CIRC.

Insurance assessment institutions and their affiliates are permitted to conduct insurance loss adjusting activities in the PRC.

Insurance Assessment Practitioner

In pursuance of the regulations set forth by the CIRC, practitioners in insurance assessment institutions and their affiliates should possess certificates as specified by the CIRC. Insurance assessment practitioners refer to personnel in insurance assessment institutions and their affiliates who are engaged in pre-underwriting examination, valuation and risk assessment of the insured subjects, or personnel who are responsible for business activities such as surveying, examining, and assessing the insured subject after the occurrence of an insured peril. Insurance assessment institutions and their affiliates should offer trainings with regard to insurance law, business knowledge and professional ethics to their practitioners.

Prohibited Activities

The following activities are prohibited for insurance assessment institutions:

- To forge, alter, lease, lend, or transfer licenses;
- To solicit or engage in insurance assessment businesses in his own name, or to practice simultaneously in two or more insurance assessment institutions;

- Engage in the following fraudulent behaviours that are targeted to cheat policyholders, the insured, beneficiaries or insurance companies: (i) present false or unfair insurance assessment reports to related parties of an insurance contract; (ii) conceal or falsify material circumstances related to the insurance contract; (iii) pose as other institutions or allow other institutions to practice under their names; (iv) practitioner practicing under the name of other individuals, allowing other individuals to practice under his name, or signing insurance assessment reports on behalf of others; (v) collude with policyholders, the insured or beneficiaries to engage in premium fraud; (vi) engage in false claims by falsifying insured incidents that had never occurred, or deliberately exaggerating the magnitude of damage of insured incidents that had occurred; (vii) other fraudulent behaviours targeting policyholders, the insured, beneficiaries or insurance companies;

- The following activities by insurance assessment institutions, their affiliates and practitioners in assessment practices: (i) false advertisement and false promotions; (ii) to damage the goodwill of other insurance intermediary institutions by falsifying and distributing false facts, or by using the results of administrative sanctions against other intermediaries, or to disturb market order with other inappropriate acts of competition; (iii) to force, tempt, or restrict the policyholder to enter into insurance assessment contracts, accept the results of loss adjusting, or restrict other insurance intermediary institutions from conducting proper business activities by using administrative power, dominant shareholding position, business advantages or other inappropriate means; (iv) to offer or promise to offer benefits not stipulated in contracts to insurance companies and their staff, policyholders, the insured or beneficiaries; (v) to obtain inappropriate benefits for other institutions or individuals by exploiting business advantages; (vi) to obtain illegitimate benefits by exploiting the advantages in the insurance assessment practice; (vii) to disclose commercial secrets and personal data of policyholders, the insured, beneficiaries or insurance companies gained during the operation; (viii) falsify invoices and exaggerate assessment fees;

- To engage in insurance assessment businesses with institutions or individuals practicing illegal insurance businesses or insurance intermediary businesses.

Supervision and Regulation

In pursuance of the relevant regulations of the CIRC, insurance assessment institutions and their affiliates should lodge statements, reports, documents and information in a timely, accurate and complete manner, and lodge relevant electronic copies according to the requirements of the CIRC.

Ancillary Insurance Agency

According to the Interim Measures on The Administration of Ancillary Agency Insurance Business (保險兼業代理管理暫行辦法) announced and implemented by the CIRC on 4 August 2000, ancillary insurance agencies must meet the requirements set forth by the CIRC and obtain the Permit for Ancillary Insurance Agency Business (保險兼業代理許可證) issued by the CIRC. When forming agency relationships, insurance companies must confirm that the ancillary insurance agencies have already obtained the Permit for Ancillary Insurance Agency Business.

Incentive Activities of Insurance Intermediaries

According to the Circular related to the Notice on Strictly Regulating the Incentivising Acts of Full-time Insurance Intermediary Institutions (關於嚴格規範保險專業中介機構激勵行為的通知) announced by the CIRC on 15 November 2010, and the Notice on Further Regulating the Incentivising Acts of Full-time Insurance Intermediary Institutions (關於進一步規範保險專業中介機構激勵行為的通知) announced on 28 February 2012, insurance intermediaries can only offer stock option incentives to salespersons who had been consecutively practising in the institution for two years or longer. Insurance intermediaries must not arbitrarily widen the scope of stock option incentive recipients for the mere sake of expanding the business quickly.

Anti-Money Laundering

According to the Rules for Anti-money Laundering by Financial Institutions (金融機構反洗錢規定) implemented on 1 January 2007, PBOC is the major administrative department under the State Council responsible for anti-money laundering. The PBOC monitors and governs the anti-money laundering works of financial institutions according to the laws. The CBRC, CSRC and the CIRC perform their duties in monitoring and governing anti-money laundering works in their respective fields.

According to the PRC Anti-Money Laundering Law (中華人民共和國反洗錢法) and Rules for Anti-money Laundering by Financial Institutions (金融機構反洗錢規定) implemented on 1 January 2007, the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions (金融機構大額交易和可疑交易報告管理辦法) implemented on 1 March 2007, the Administrative Measures for Financial Institutions' Report of Transactions Suspected of Financing for Terrorist Purposes (金融機構報告涉嫌恐怖融資的可疑交易管理辦法) implemented on 11 June 2007, and the Measures for the Supervision and Administration of Anti-Money Laundering by Financial Institutions (Pilot) (金融機構反洗錢監督管理辦法(試行)) implemented on 15 November 2014, serving as financial institutions, insurance companies should establish and implement internal anti-money laundering control systems, set up specialised departments or appoint internal departments to conduct anti-money laundering works, lay out internal anti-money laundering operation procedures and control measures, and offer anti-money laundering trainings to staff members, so as to strengthen their anti-money laundering capabilities and to comply with relevant regulations. Insurance companies should establish and implement customer identification systems in accordance with relevant regulations, and report to their headquarters any transactions suspected of terrorist financing. Then the headquarters, or any organisations appointed by the headquarters, can report to the China Anti-Money Laundering Monitoring & Analysis Centre (中國反洗錢監測分析中心) electronically within ten business days after the relevant incident occurred.

According to the Notice of China Insurance Regulatory Commission on Strengthening the Anti-money Laundering Work in the Insurance Sector (中國保險監督管理委員會關於加強保險業反洗錢工作的通知) implemented on 10 August 2010 and Measures on Anti-Money Laundering in the Insurance Industry (保險業反洗錢工作管理辦法) implemented on 1 October 2011, the CIRC is responsible for organising, coordinating and guiding anti-money laundering works in the insurance industry. Insurance companies, insurance asset management companies, insurance agencies, and insurance brokerage companies should base their insurance policy registrations on real names and follow the principles of complete customer data, proper documentation of historical business records and capital flows regulations, thereby tightening the internal controls on anti-money laundering.

Applications for the establishment of insurance companies and insurance asset management companies should meet the anti-money laundering conditions set forth by the CIRC (including legitimate sources of investment asset; establishment of internal anti-money laundering systems; setting up specialised bodies or appointing internal departments to conduct anti-money laundering works; appointing anti-money laundering bodies or individuals who had received the necessary anti-money laundering trainings; equipped with information systems that meet the needs of anti-money laundering works; and other requirements as set forth by the CIRC). If there are additions to the registered capital, changes in shareholdings (except when the shares of listed institutions acquired through securities exchanges are less than 5% of the registered capital of the insurance company or insurance asset management company), or other circumstances as stipulated by the CIRC, insurance companies or insurance asset management companies should have knowledge about the sources of the investment asset. They should also file explanations regarding the sources of investment asset, and declare the legitimacy of such sources.

Applications for the establishment of affiliates of insurance companies or insurance asset management companies should meet the anti-money laundering conditions set forth by the CIRC (including the following: the parent company possesses a robust anti-money laundering internal control system, and has sound governance over the affiliate; the information system of the parent company is able to support the anti-money laundering works of the affiliate; setting up specialised bodies or appointing internal departments to conduct anti-money laundering works in the affiliate, which is being set up; the anti-money laundering personnel has received the necessary anti-money laundering trainings; and other requirements set forth by the CIRC).

In pursuance to the laws, when entering into insurance contracts, rescinding insurance contracts, settling claims or making payments, insurance companies should perform customer identification on any transactions with amounts above the specified level;

- In pursuance to the laws, insurance companies and insurance asset management companies should properly maintain customers' personal data and historical business records, and ensure related transaction information can be retraced, which enables the monitoring and analysis of transactions, investigation of suspicious transaction, and the tracing of required information for anti-money laundering criminal cases;

- Insurance companies and insurance asset management companies should, according to the laws, identify and report large-sum transactions and suspicious transactions;

- When conducting insurance businesses through insurance agencies and financial institutions who act as ancillary insurance agencies, insurance companies should include anti-money laundering terms and conditions in the cooperation agreements.

According to the regulations set forth in the Notice of China Insurance Regulatory Commission on Strengthening the Anti-money Laundering Work in the Insurance Sector (中國保險監督管理委員會關於加強保險業反洗錢工作的通知), in the application materials seeking approval for the qualifications of senior management of insurance institutions, there should be a declaration stating that the applicant has not been a subject of any material anti-money laundering administrative sanctions in the past two years; for those applicants who have previously worked in foreign financial institutions, a declaration should be submitted stating that in the past two years, the applicant has not been a subject of any material anti-money laundering administrative sanctions in the jurisdiction where the foreign financial institution resides. All insurance companies and insurance intermediary institutions should regularly collect, summarise and report information on the agency's anti-money laundering works, closely monitor the progress of anti-money laundering works, guard against the risk of money laundering, and conduct anti-money laundering trainings and promotions, so as to raise the awareness and strengthen preventive measures with regard to anti-money laundering.

According to the Notice on Reporting Information of Anti-money Laundering Work in the Insurance Industry (關於報送保險業反洗錢工作信息的通知) implemented on 14 December 2014 and the Notice on Adjustment to Reporting Information of Anti-money Laundering Work (關於調整反洗錢信息報送有關事宜的通知) implemented on 19 September 2014, all insurance companies and insurance asset management companies should summarise the progress of anti-money laundering works in the system, and report information about such progress to the CIRC quarterly. According to the laws and regulations of the PRC Anti-Money Laundering Law (中華人民共和國反洗錢法), information about anti-money laundering works refers to, in the operation and supervision of insurance businesses, the situation of anti-money laundering works carried out in accordance with the laws, including: The implementation status of anti-money laundering obligations, the execution of anti-money laundering works in the organisation, and the supervision of anti-money laundering works in the insurance industry.

Major Insurance Industry Commitments in connection with the PRC's Access to the WTO

According to the Circular on Distributing the Contents Related to Insurance Industry in the Legal Documents of China's Accession to WTO (關於印發我國加入WTO法律文件有關保險業內容的通知) announced on 12 March 2002, the following are the parts related to the insurance industry in the legal documents about China's entrance into the WTO, Foreign Ownership, Territorial Restrictions and Business Scope.

Foreign Ownership

Since the PRC's accession to the WTO, foreign P&C insurance companies have been permitted to establish branches or joint ventures and are permitted to establish wholly-owned subsidiaries in the PRC. Foreign life and health insurance companies have been permitted to have up to 50% foreign ownership in a joint venture with a partner of their choice and also may freely agree on the terms of the joint venture, provided that the terms remain within the limits of the commitments contained in the WTO schedule. Currently, foreign investors are permitted to hold up to 51% of ownership in a joint venture insurance brokerage company. In addition, pursuant to the Announcement on Permitting Foreign Insurance Brokerage Companies to Establish Wholly Foreign-owned Insurance Brokerage

Companies (關於允許外國保險經紀公司設立外商獨資保險經紀公司的公告) promulgated by the CIRC on 11 December 2006, from 11 December 2006, foreign insurance brokerage companies are allowed to establish wholly foreign-owned insurance brokerage companies according to law without any restriction other than those on conditions for establishment and business scope.

Territorial Restrictions

Foreign insurance companies are permitted to conduct business throughout the PRC without any territorial restrictions.

Scope of Business

Since the PRC's accession to the WTO, foreign P&C insurance companies have been permitted to provide without territorial restrictions master policy insurance (a single insurance policy for a company covering its various properties or liabilities located in different geographic regions) and large-scale commercial insurance. Foreign P&C insurance companies are now permitted by the CIRC to provide the full range of property insurance services to both foreign and PRC clients.

At present, life and health joint venture insurers in the PRC are also permitted by the CIRC to provide health insurance, group insurance and pension/annuities services to foreign and PRC citizens.

Currently, foreign insurance brokerage companies are permitted to engage in the following brokerage business in the PRC: (i) Large-scale commercial insurance brokerage; (ii) Reinsurance brokerage; and (iii) International maritime, aviation and transport insurance and their reinsurance brokerage. In addition, foreign insurance brokerage companies are permitted to provide master policy insurance brokerage business on the same basis as treatment of nationals.

Foreign insurance companies are permitted to provide reinsurance services for life and health insurance and property insurance as a branch, joint venture, or wholly foreign-owned subsidiary, without geographic or quantitative restrictions on the licenses issued.

Foreign insurance companies are not permitted to engage in statutory insurance business. Statutory insurance, as specified in China's Schedule of Specific Commitments, is limited to the following specific categories, and no additional lines or products will be added: third party auto liability insurance and driver and operator liability insurance for buses and other commercial vehicles. Nevertheless, pursuant to the Regulation on Statutory Automobile Liability Insurance (機動車交通事故強制保險條例) amended on 17 December 2012, foreign insurers may, upon the approval of the CIRC, conduct statutory automobile liability insurance business. In addition, foreign insurance companies and foreign-funded insurance companies are not permitted to engage in businesses forbidden by laws, administrative regulations and other regulatory documents of the PRC.

Foreign-Invested Insurance Companies

Under the Administrative Regulations of the PRC on Foreign-Invested Insurance Companies (外資保險公司管理條例) amended on 30 May 2013, a foreign-invested insurance company means (i) an insurance company established inside the PRC as joint venture by a foreign insurance company with a PRC company or enterprise ("Joint Venture Insurance Company"); (ii) an insurance company inside the PRC invested and operated by a foreign insurance company ("Wholly Foreign-Owned Insurance Company"); or (iii) a branch of a foreign insurance company inside the PRC ("Branch of Foreign Insurance Company").

Foreign insurance companies applying for the establishment of a foreign-invested insurance company shall satisfy the following requirements:

(i) having been engaged in the insurance business for at least 30 years;

(ii) having a representative office in the PRC for at least 2 years;

(iii) having total assets of US$5 billion or more as at the end of the year immediately prior to its application;

(iv) being subject to effective insurance regulation by the relevant authorities in their home countries or regions which possess a comprehensive insurance regulatory system;

(v) meeting the solvency margin requirements in their home countries or regions;

(vi) having received approvals from the regulatory authorities in their home countries or regions of their applications; and

(vii) other prudent requirements by the CIRC.

The minimum registered capital of a Joint Venture Insurance Company or Wholly Foreign-Owned Insurance Company is RMB200 million or an equivalent amount in other freely convertible currencies. The minimum registered capital must be paid-in monetary capital. A Branch of Foreign Insurance Company must be able to obtain at least RMB200 million or an equivalent amount in other freely convertible currencies at nil consideration from its parent company as its working capital.

According to the business scope verified by the CIRC, a foreign-invested insurance company may legally operate all or any of the following categories of insurance business: (i) Property insurance business, including property loss insurance, liability insurance, credit insurance and other insurance business; (ii) Life and health insurance business, including life insurance, health insurance, accident insurance and other insurance business. Upon verification of the CIRC according to applicable regulations, a foreign-invested insurance company may operate large-scale commercial insurance and master policy insurance business within the verified scope; and (iii) The following reinsurance business of insurance business specified in (i) and (ii) above: (1) outward reinsurance and (2) inward reinsurance. The specific business scope, territorial coverage and clients of a foreign-invested insurance company are subject to the verification of the CIRC according to applicable regulations. A foreign-invested insurance company may conduct insurance business only within the verified scope.

HONG KONG REGULATORY OVERVIEW

Introduction

The securities and futures markets in Hong Kong are regulated by the SFC. The SFC supervises the recognised exchange company, The Stock Exchange of Hong Kong Limited, which operates the Hong Kong Stock Exchange, the Hong Kong Futures Exchange and HKSCC. The SFC also regulates other financial intermediaries and their representatives from these financial intermediaries, licensed corporations in Hong Kong who are not necessarily members of these exchanges.

China Re AMC HK was licensed by the SFC in Hong Kong.

The SFC is divided into four operational divisions:

- Corporate Finance Division — responsible for the dual filing functions in relation to listing matters, administering the Takeovers Code, overseeing the Hong Kong Stock Exchange's listing-related functions and responsibilities and administering securities and company legislation relating to listed companies.

- Intermediaries and Investment Products Division — responsible for devising and administering licensing requirements for securities and futures and leveraged foreign exchange trading intermediaries, supervising and monitoring intermediaries' conduct and financial resources and regulating the public marketing of investment products.

- Enforcement Division — responsible for conducting market surveillance to identify market misconduct for further investigation, undertaking inquiry into alleged breaches of relevant ordinances and codes, including insider dealing and market manipulation, and instituting disciplinary procedures for misconduct by licensed intermediaries.

- Supervision of Markets Division — responsible for supervising and monitoring activities of the exchanges and clearing houses, encouraging development of the securities and futures markets, promoting and developing self-regulation by market bodies.

The SFC's regulatory objectives as set out in the SFO are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;

- to promote understanding by the public of the operation and functioning of the securities and futures industry;

- to provide protection for members of the public investing in or holding financial products;

- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

The SFC derives its powers principally from the SFO and is as a self-regulatory organisation outside the civil service. The SFO provides for the fundamental framework within which dealings in securities are conducted and regulated. Apart from SFO, the operation of the securities market is also governed by the subsidiary legislations and regulations, administrative procedures and guidelines developed by the SFC, as well as by the rules and regulations introduced and administered by the exchange companies (i.e. the Hong Kong Stock Exchange and the Hong Kong Futures Exchange) of the HKEx.

The SFO is Hong Kong's principal legislation regulating financial products, the securities and futures markets, the securities and futures industry, activities and other matters connected with financial products and the protection of investors. It is administered by the SFC, which is a statutory body in Hong Kong.

There are various types of "regulated activity" under the SFO. The regulated activities are:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 3: Leveraged foreign exchange trading
- Type 4: Advising on securities
- Type 5: Advising on futures contracts
- Type 6: Advising on corporate finance
- Type 7: Providing automated trading services
- Type 8: Securities margin financing
- Type 9: Asset management
- Type 10: Providing credit rating services

China Re AMC HK carries on and is licensed for Types 4 and 9 of the above regulated activities.

Overview of Licensing Requirements

Under the SFO, any person:

(i) carrying on a regulated activity (or holding itself out as carrying on a regulated activity);

(ii) actively marketing (whether in Hong Kong or from a place outside of Hong Kong) to the Hong Kong public such services which, if provided in Hong Kong, would constitute a regulated activity; or

(iii) must be licensed by the SFC to carry out that regulated activity, unless one of the exemptions under the SFO applies. Authorised financial institutions are subject to slightly different rules.

These licences are only available to corporations. With the exception of corporations that carry on the activity of securities margin financing, a corporation may be licensed for more than one type of regulated activity that does not entail a conflict of interest. Each licence sets out the regulated activities which the licensee is permitted to carry out and any conditions to which it is subject. An individual performing a regulated function for a licensed corporation in relation to a regulated activity, or holding himself out as performing such a function, must separately be licensed under the SFO as a "representative" accredited to his principal.

Only a corporation that is incorporated in Hong Kong or an overseas company registered in Hong Kong under the Companies Ordinance may be licensed to carry out a regulated activity under the SFO. Each applicant for a licence must satisfy the SFC that, among other things, it is "fit and proper" to be licensed to carry out the regulated activity in question and will be able, if licensed, to comply with certain financial resources rules. In substance, these rules are designed to ensure maintenance of specified levels of paid-up share capital and liquid capital depending on the type of regulated activity involved. A licensed corporation (other than one which carries on a regulated activity solely as one or more of (i) an approved introducing agent who is not a licensed corporation licensed for Type 3 regulated activity; (ii) a trader; (iii) a futures non-clearing dealer; or (iv) a licensed corporation licensed for Type 4, Type 5, Type 6 or Type 9 regulated activity, which is not subject to the specified licensing condition that the licensed corporation shall not hold client assets) shall maintain a minimum paid-up capital of:

(i) HK$10,000,000 for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing;

(ii) HK$5,000,000 in any other case for Type 1 regulated activity; and

(iii) HK$5,000,000 for Type 4, Type 5 and Type 9 regulated activities.

A licensed corporation shall maintain a minimum liquid capital of the higher of the amount of (a) and (b) below:

(a) the amount of:

(i) HK$100,000, where the licensed corporation is licensed for Type 4, Type 5 and Type 9 regulated activities in the case where the licensed corporation is subject to the licensing condition that it shall not hold client assets;

(ii) HK$500,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation is an approved introducing agent or trader;

(iii) HK$3,000,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing; or

(iv) HK$3,000,000, where the licensed corporation is licensed in any other case for Type 1, Type 4, Type 5 and Type 9 regulated activities.

(b) 5% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

In considering whether a person is fit and proper to be licensed to carry out a regulated activity, or to be a representative of a licensed corporation, in addition to any other matter that it considers relevant, the SFC has regard to:

- financial status or solvency;
- educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;
- the ability to carry on the regulated activity competently, honestly and fairly; and
- the reputation, character, reliability and financial integrity of the applicant and relevant individuals.

The substantial shareholders of a licensed corporation, its officers (including every director, manager or secretary and any person involved in its management) and any other person who is or is to be employed by or associated with the licensed corporation must also meet the criteria for an appropriate candidate. For this purpose a person is a "substantial shareholder" of a corporation if he, either alone or with his "associates" (as defined in the SFO):

- has an interest in its shares which is equal to more than the nominal value of 10% of the issued share capital of the corporation or which entitles the person, either alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation; or

- holds shares in any other corporation which entitles him, either alone or with his associates, to exercise or control the exercise of 35% or more of the voting power at general meetings of the other corporation, or of a further corporation, which is itself entitled, alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation.

Each licensed corporation must have two "responsible officers", at least one of whom is an executive director approved by the SFC, to supervise the regulated activity of the licensed corporation to which they are accredited. Even if a corporation is licensed under the SFO, it is not allowed to carry on any regulated activity for which it is licensed unless every director of the licensed corporation who actively participates in or is responsible for supervising its regulated activities is approved by the SFC as a responsible officer in relation to such regulated activity.

Licensed corporations and licensed representatives have to comply with requirements of ongoing obligations. For licensed corporations these include obligations:

- to notify the SFC of changes in certain information concerning themselves which has been provided to the SFC;

- to continue to meet the fit and proper test at all times;

- to submit audited accounts and certain other documents to the SFC each financial year;

- to maintain certain financial resources and to submit financial resources returns to the SFC; and

- to design, implement and complete continuous professional training for each regulated activity which they carry out.

UK REGULATORY OVERVIEW

Financial services regulation in the UK is split between two regulators, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA, a subsidiary of the Bank of England, is responsible for the prudential regulation of systemically important authorised firms. The FCA is responsible for the conduct regulation of all firms, as well as the prudential regulation of firms that do not have the PRA as their prudential regulator.

The Group is not currently directly subject to PRA or FCA regulation or supervision in the UK. The Group is though subject to regulatory standards set by Lloyd's of London by way of its operations in the Lloyd's market.

The Group contains the following relevant entities:

- China Re UK Limited, which is a member of Lloyd's and the sole member of China Re Syndicate 2088; and

- China Re Underwriting, which is an appointed representative of Catlin Underwriting Agencies Limited. It is intended that China Re Underwriting will, in the future, replace Catlin Underwriting Agencies Limited as the managing agent of China Re Syndicate 2088.

Lloyd's Agency

Lloyd's is a specialty insurance marketplace which has been operating in London for over 300 years. Market participants, or 'members', underwrite insurance business on a several basis, each for their own profit or loss. Members of Lloyd's conduct their insurance business through syndicates, each of which is managed by a managing agent.

Members carry the underwriting risk and provide capital, or "capacity", to support their underwriting activity within syndicates and may participate in more than one syndicate at a time. Members may be companies, limited liability partnerships, Scottish limited partnerships or individuals (although, since 2003, no new members can participate in an individual capacity). Members of a syndicate are not in partnership, and no member has joint liability with any other member of a syndicate for the risks underwritten through that syndicate. Each member is responsible only for the proportion of each risk written on its behalf. An individual member has unlimited liability for his proportion of the risk to the full extent of his assets. The liability of a corporate member is limited to the amount of Funds at Lloyd's (see further below) which they have provided.

Members may only accept insurance business through the managing agent of a syndicate. A Lloyd's syndicate constitutes one or more members that join together under an administrative arrangement to accept insurance risks. A managing agent is a company (individuals and partnerships are not eligible) which manages one or more syndicates on behalf of the members providing capital. A company needs permission from the Lloyd's both to act as a managing agent and to manage a syndicate. In addition, managing agents are authorised by the PRA and regulated by the PRA and the FCA (see further below).

UK Regulatory Framework

Under section 19 of the Financial Services and Markets Act 2000 ("FSMA") it is unlawful to carry on the regulated business of being a Lloyd's managing agent in the UK without permission to do so from the PRA under Part 4A of FSMA. A Lloyd's managing agent must hold permissions for managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's, and will usually also hold permissions to carry on insurance mediation activities such as dealing in investments (including relevant insurance contracts) as agent, arranging deals in, and advising on, investments (again, including relevant contracts of insurance), and assisting in the administration and performance of contracts of insurance. In addition, a managing agent requires the approval of the Lloyd's Franchise Board to manage a Lloyd's syndicate.

No company in the Group currently has UK regulatory permissions, although we understand that the Group has announced its intention to establish a Lloyd's managing agent in the future (see below). China Re Underwriting is, however, an appointed representative of Catlin Underwriting Agencies Limited, the managing agent of China Re Syndicate 2088. An appointed representative does not, provided that it has been properly appointed by its principal in accordance with applicable legislation, and only carries on a limited range of specified activities, require permissions to carry on regulated activities in the UK including in relation to dealing as agent, arranging and advising activities. The principal remains responsible for the acts and omissions of its appointed representative and retains regulatory responsibility. An appointed representative would, however, be required by its principal to comply with certain obligations set out in the appointed representative agreement.

A principal must also obtain prior approval from the PRA or the FCA (depending on the function in question) for any individual (including an individual employed by its appointed representatives) who carries on one or more specified "controlled functions". The relevant regulator will only approve an individual if it is satisfied that such individual is "fit and proper" to carry out the controlled function in question, by reference to the person's honesty, integrity and reputation, competence and capability for the roles that the person is to assume in the firm, and his financial soundness. If an individual is applying for approval to perform "significant influence functions" (which are, broadly, controlled functions relating to key management, compliance and operation roles), the PRA and/or FCA's assessment of the applicant's fitness and propriety often includes an interview.

Once approved, these individuals are known as "Approved Persons" and are subject to direct regulation by the appropriate regulator.

Approved Persons must comply with the Principles and Code of Practice for Approved Persons ("APER") set out in the PRA and FCA Handbooks. The PRA and/or the FCA may take disciplinary action against Approved Persons who breach the provisions of APER or any other relevant provisions of the Handbooks.

Lloyd's Framework

Lloyd's is itself authorised by the PRA and regulated by the PRA and the FCA, and its senior personnel are required to be approved by the regulatory authorities. Lloyd's regulated activities include arranging deals in contracts written at Lloyd's (the basic market activity), arranging deals in Lloyd's syndicates (the secondary market activity) and carrying out any activity in connection with, or for the purposes of, these two activities. EU Insurance Directives apply to Lloyd's as an insurance undertaking but with specific provision for the Lloyd's market.

The Council of Lloyd's is the regulatory authority of the Lloyd's market and under the Lloyd's Act 1982 (as amended) (the "1982 Act") it is responsible for the management and supervision of the Lloyd's market. Under the 1982 Act, the Council has the power to regulate and direct the business of the Lloyd's market, and to make byelaws. Lloyd's market rules and other relevant requirements are set out in the byelaws, and in other guidance, codes of conduct and bulletins issued by the Council or under its authority, although regulation of the Lloyd's market is under the ultimate direction of the PRA and the FCA.

Lloyd's does not carry on insurance activity itself but regulates its members doing so. As noted above, members of Lloyd's form and underwrite all insurance business via syndicates which consist of one or more such members. Lloyd's supervises its own members (including in relation to setting the amount of capital required to be provided by each member to support its underwriting liabilities) under the direction of the PRA and the FCA. Members are not required to be authorised under FSMA but must abide by the Lloyd's rules which means that they are indirectly regulated by the PRA and the FCA given that Lloyd's itself is regulated by those regulatory authority. Under section 318 FSMA, the PRA and the FCA can give directions to Lloyd's in order to advance one or more of their statutory objectives, for example by imposing particular rules on members. Lloyd's has a memorandum of understanding with the PRA and the FCA to assist with cooperation in supervision and enforcement.

As regards prudential requirements, the rules in the PRA's General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Insurers ("INSPRU") (which form part of the PRA Handbook) apply to Lloyd's as a whole with some modifications. The capital structure of Lloyd's is tripartite and comprises:

- Syndicate level assets: The insurance premiums which are collected by members and held in a premium trust fund for the benefit of policyholders whose contracts are underwritten by the syndicate. These monies are the first resource used for paying claims made by the members' policyholders from that syndicate.

- Funds at Lloyd's: Each member must provide capital to support its underwriting at Lloyd's. This capital is held on trust as a buffer to back up each member's underwriting liabilities in each syndicate in which it is a member.

- Central assets (Central Fund and callable layer): Members make annual contributions to the Central Fund which can be used to pay out in relation to the claims against any member who fails to meet its insurance liabilities in full. In addition, this is supplemented by a "callable layer" of up to 3% of members' overall premium limits which the Society can call upon to meet claims.

Lloyd's is also required to conduct a capital requirement assessment for the whole market to determine the optimum level of central assets. It must comply with the reporting requirements of the PRA's Interim Prudential Sourcebook for Insurers in respect of its members and itself submits an annual return to the PRA.

Future Developments

Expansion of UK business

The Group has announced its intention to establish its own Lloyd's managing agent in the future to manage its Lloyd's syndicate (which is currently managed by Catlin Underwriting Agencies Limited). As noted above, Lloyd's managing agents are authorised and regulated by the PRA, as well as having their conduct of business regulated by the FCA. Consequently, relevant members of the Group may become subject to direct regulation and supervision by those regulators in the future, including in relation to conduct and capital requirements.

Solvency II

The EU has for a number of years been developing proposals for the revision of insurance businesses' solvency requirements under EU Insurance Directives. The Solvency II Directive was formally adopted by the European Council in November 2009, and provides the framework for a new solvency and supervisory regime for insurers and insurers in the EU. Solvency II (as amended by the Omnibus II Directive) must be implemented by firms from 1 January 2016.

Solvency II adopts a three pillar approach to prudential regulation.

- Pillar 1 relates to minimum capital requirements, covering quantitative requirements. Under this pillar, firms must be able to demonstrate that they have adequate financial resources to satisfy the Solvency II capital requirements;

- Pillar 2 covers risk management, governance requirements, and supervisory review; and

- Pillar 3 covers public and supervisory reporting and disclosure.

Although the Solvency II has similarities to the current UK regime set out in GENPRU and INSPRU in terms of its risk-based approach to the calculation of capital requirements and use of capital tiering, there are also many differences in terms of both substance and terminology. For example, while both regimes share the principle of market consistent valuation of assets and liabilities, there are differences in the detailed valuation methodologies.

A key aspect of Solvency II is the focus on a supervisory review at the level of the individual legal entity. Insurance businesses will be encouraged to improve their risk management processes and will be allowed to make use of internal economic capital models to calculate capital requirements, subject to approval by the relevant regulator. In addition, Solvency II will require firms to develop and embed an effective risk management system as a fundamental part of running the firm.

The new regime will require firms to disclose a considerably greater level of qualitative and quantitative information than under current rules, both to their own supervisor through Regular Supervisory Reporting and to the market through the publication of a Solvency and Financial Condition Report. This is intended to increase transparency, allowing easier comparison across the industry and enabling supervisors to identify sooner if firms are heading for financial difficulty.

As regards the Lloyd's market, Solvency II will divide responsibilities between Lloyd's and managing agents in much the same way as do the present rules. Lloyd's is already partially meeting Solvency II standards by requiring managing agents to produce Solvency Capital Requirements for their syndicates rather than the Individual Capital Assessments which are required by the current solvency regime.

REGULATORY AND SHAREHOLDERS' APPROVALS

We have obtained our Shareholders' approval for the proposed listing. Please refer to "Appendix VIII — Statutory and General Information — A. Further Information About Our Group — 3. Resolutions of our Shareholders and our Board."

We have also obtained all necessary PRC regulatory approvals for the proposed listing, including the CIRC and CSRC approval on 7 July 2015 and 18 August 2015, respectively.

OUR HISTORY

The Company originated from The People's Insurance Company of China (中國人民保險公司), which was founded in October 1949. In August 1996, in accordance with a decision by the State Council and with the approval of the PBOC, The People's Insurance Company of China was restructured as PICC (Group) Company (中國人民保險 (集團) 公司), with three insurance subsidiaries, including the Company's predecessor, PICC Reinsurance Company Limited (中保再保險有限公司). The predecessor of the Company inherited the reinsurance business of PICC (Group) Company. In October 1998, with the approval by the State Council, PICC (Group) Company was restructured and PICC Reinsurance Company Limited became an independent legal entity directly owned by the PRC Government. In March 1999, as approved by the State Council and the CIRC, PICC Reinsurance Company Limited was renamed as China Reinsurance Company (中國再保險公司). In August 2003, with the approval of the CIRC, China Reinsurance Company was renamed as China Reinsurance (Group) Company (中國再保險 (集團) 公司).

In October 2007, with the approvals of the State Council, the Ministry of Finance and the CIRC, China Reinsurance (Group) Company was restructured as a joint stock limited company, with the Ministry of Finance and Central Huijin as its promoters. The Company was renamed as China Reinsurance (Group) Corporation (中國再保險 (集團) 股份有限公司) after the restructuring, which is the current name of the Company. Following the Company's restructuring into a joint stock limited company, the Ministry of Finance and Central Huijin held 14.5% and 85.5%, respectively, of the registered capital of the Company. In April 2012, the registered capital of the Company was increased with the approval of the CIRC and upon such increase, the Ministry of Finance and Central Huijin held 15.09% and 84.91%, respectively, of the registered capital of the Company.

Our PRC legal counsel, King & Wood Mallesons, has confirmed that the restructuring of the Company has been approved by the relevant PRC authorities and is in compliance with the relevant laws and regulations of the PRC.

Our principal subsidiaries are China Re P&C, China Re Life, China Continent Insurance and China Re AMC. We conduct our P&C reinsurance businesses primarily through our wholly-owned subsidiary, China Re P&C, life and health reinsurance businesses primarily through our wholly-owned subsidiary, China Re Life, and primary P&C insurance businesses through China Continent Insurance (with the Company holding approximately 93.18% of its shares), and manage insurance funds in a centralised and professional manner primarily through China Re AMC (with the Company and its three subsidiaries, namely, China Re P&C, China Re Life and China Continent Insurance, together holding 100% of China Re AMC's shares).

As at the Latest Practicable Date, we directly owned seven subsidiaries, being China Re P&C, China Re Life, China Continent Insurance, China Re AMC, Huatai Insurance Agency, China Re UK and China Re Underwriting. Our overseas offices are in London, Hong Kong and New York.

KEY MILESTONES

The table below shows the key milestones in the history of the Company:

Year	Milestones
1949	• The People's Insurance Company of China was established.
1996	• The People's Insurance Company of China was restructured as PICC (Group) Company. PICC Reinsurance Company Limited (the predecessor of the Company) was established based on the Reinsurance Department of The People's Insurance Company of China.
1998	• PICC (Group) Company was restructured and PICC Reinsurance Company Limited became an independent legal entity directly owned by the PRC Government.
1999	• PICC Reinsurance Company Limited was renamed as China Reinsurance Company.
	• London Office was established.
2000	• China Reinsurance Company became a shareholder of Huatai Insurance Agency, then holding 75% of its equity.
2001	• Hong Kong Office was established.
2003	• China Reinsurance Company was renamed as China Reinsurance (Group) Company.
	• China Property & Casualty Reinsurance Company Limited (中國財產再保險股份有限公司) (the predecessor of China Re P&C) was established, with the Company then holding 45% of its shares.
	• China Life Reinsurance Company Limited (中國人壽再保險股份有限公司) (the predecessor of China Re Life) was established, with the Company then holding 45.1% of its shares.
	• China Continent Insurance was established, with the Company then holding 60% of its shares.
2005	• China Re AMC was established, with the Company then holding 50.1% of its shares.
2007	• China Reinsurance (Group) Company was restructured as China Reinsurance (Group) Corporation, with the Ministry of Finance and Central Huijin then holding 14.5% and 85.5%, respectively, of the registered capital of the Company.
2010	• The Company and its two subsidiaries, China Re P&C and China Re Life, received a financial strength rating of "A" and an issuer credit rating of "a" by A.M. Best for the first time.

Year	Milestones
2011	• China Re UK became a member of Lloyd's and established a special purpose syndicate at Lloyd's, China Re Syndicate 2088.
2012	• The registered capital of the Company was increased, with the Ministry of Finance and Central Huijin holding 15.09% and 84.91%, respectively, of the registered capital of the Company upon such increase.
2013	• New York Office was established.
2014	• China Continent Insurance received a financial strength rating of "A" and an issuer credit rating of "a" by A.M. Best for the first time.
	• Group Company and its two subsidiaries, China Re P&C and China Re Life, received Standard & Poor's "A+" financial strength and issuer credit ratings for the first time.
	• Lloyd's approved the conversion of China Re Syndicate 2088 from a special purpose syndicate into an independent syndicate. China Re Underwriting was established.
	• The Company increased its shareholdings in China Re P&C and in China Re Life to 100%.
2015	• China Re AMC established China Re AMC HK.

MATERIAL ACQUISITIONS OR DISPOSALS

The Company had no material acquisitions or disposals during the Track Record Period.

PRINCIPAL OPERATING SUBSIDIARIES

China Re P&C

China Re P&C was established in the PRC on 15 December 2003. It is the largest PRC company that specialises in providing P&C reinsurance services based on Market Share in terms of Premiums Ceded in 2013 and is headquartered in Beijing. As at the Latest Practicable Date, the registered capital of China Re P&C was RMB10,032,250,000.

The business scope of China Re P&C covers commercial P&C reinsurance, commercial short-term health and accident reinsurance, services of the above reinsurance businesses, advisory services and other businesses approved by the CIRC.

China Re Life

China Re Life was established in the PRC on 16 December 2003. It is the only domestic life and health reinsurer incorporated in the PRC and is headquartered in Beijing. As at the Latest Practicable Date, the registered capital of China Re Life was RMB6.72 billion.

The business scope of China Re Life covers commercial life and health reinsurance, services of the foregoing reinsurance businesses, advisory services and other businesses approved by the CIRC.

China Continent Insurance

China Continent Insurance was established in the PRC on 15 October 2003. It is the sole primary P&C insurance company within the Group and is headquartered in Shanghai. As at the Latest Practicable Date, the registered capital of China Continent Insurance was RMB7,302,077,123.

The business scope of China Continent Insurance covers commercial property, household property, construction and erection, cargo, motor, marine hull, aircraft, aerospace, nuclear, energy, statutory liability, general liability, surety, credit, plant, livestock and aquaculture and short-term health and accident insurance, reinsurance businesses of the above insurance businesses, deployment of insurance funds approved by the CIRC and other businesses approved by the CIRC.

China Re AMC

China Re AMC was established in the PRC on 18 February 2005. It is one of the first four insurance asset management companies set up and operating in China and is headquartered in Beijing. As at the Latest Practicable Date, the registered capital of China Re AMC was RMB500 million.

The business scope of China Re AMC covers management of its own funds and insurance funds, entrusted fund management, consulting services related to funds management and other asset management businesses permitted by law.

China Re AMC HK is a wholly-owned subsidiary of China Re AMC. China Re AMC HK was established in Hong Kong on 22 January 2015. As at the Latest Practicable Date, the issued share capital of China Re AMC HK was HK$100 million. China Re AMC HK is licensed by the Securities and Futures Commission to conduct the following regulated activities: Type 4 (advising on securities) and Type 9 (asset management).

Huatai Insurance Agency

Huatai Insurance Agency was established in the PRC on 1 March 1993 as a nation-wide professional insurance brokerage in the PRC and is headquartered in Beijing. As at the Latest Practicable Date, the registered capital of Huatai Insurance Agency was RMB50 million.

The business scope of Huatai Insurance Agency covers provision of disaster and loss mitigation services, or risk assessment and risk management consulting services to its clients, the drawing up of insurance plans and insurance procedures for its clients, dealing with inspection and making claims on behalf of its clients, making claims against the insurer, arranging domestic and international inward and outward reinsurance businesses, acting for foreign insurance companies and insurance associations in order to provide services relating to inspection, claims and recovery, and other businesses approved by the CIRC.

Huatai Surveyors & Adjusters Company is a wholly-owned subsidiary of Huatai Insurance Agency. Huatai Surveyors & Adjusters Company was established in China on 17 May 2007. As at the Latest Practicable Date, its registered capital was RMB5 million. Its business scope includes risk survey, evaluation and assessment prior to and post underwriting for its clients in the PRC, loss survey, examination and adjustment as well as residual value assessment, risk management advisory, and other businesses as approved by the CIRC.

China Re UK and China Re Underwriting

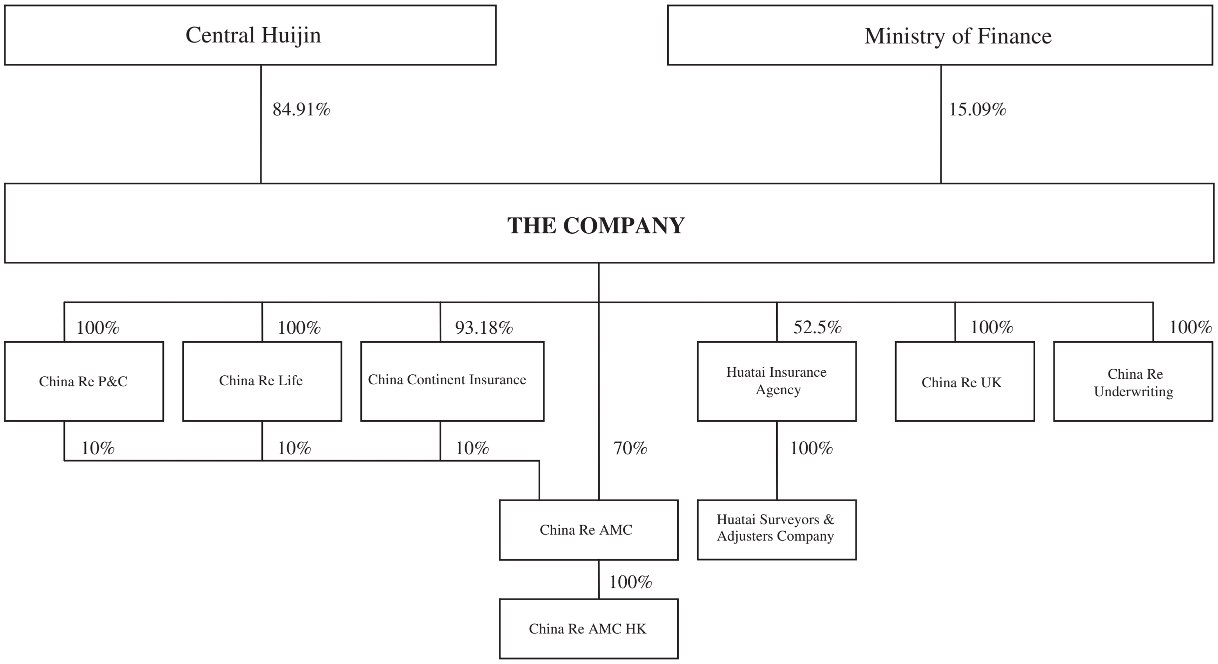
China Re UK was incorporated in England and Wales on 28 September 2011 and is headquartered in London. As at the Latest Practicable Date, its issued share capital was GBP300,000.

China Re Underwriting (which was known as China Re Agency Limited until 26 September 2014) was incorporated in England and Wales on 8 August 2014 and is headquartered in London. As at the Latest Practicable Date, its issued share capital was GBP18 million.

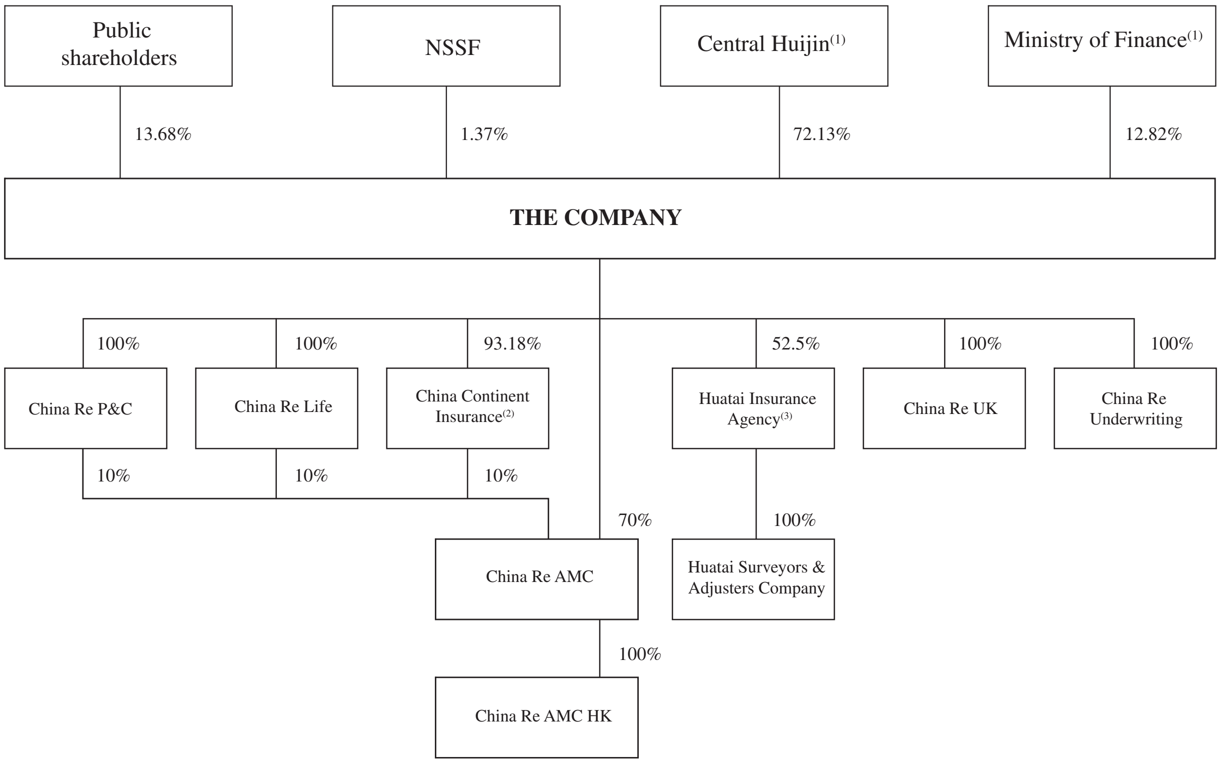
In October 2011, the Company, through China Re UK, became a member of Lloyd's. In December 2011, the Company, through China Re UK, established China Re Syndicate 2088, a special purpose syndicate at Lloyd's, which was converted into an independent syndicate in November 2014. The Company intends to replace Catlin with China Re Underwriting as the managing agent of China Re Syndicate 2088 once China Re Underwriting has met the requirements in respect of managing agents.

OUR CORPORATE STRUCTURE

The following diagram sets forth our shareholding structure and the structure of the Group as at the Latest Practicable Date. For further information about our shareholdings and share capital immediately before completion of the Global Offering, please refer to the section headed "Share Capital."



The following diagram sets forth our shareholding structure and the structure of the Group upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). For further information about our shareholding structure and share capital upon the completion of the Global Offering, please refer to the section headed "Share Capital."



Notes:

(1) Central Huijin is wholly owned by China Investment Corporation.

(2) The remaining shares of China Continent Insurance are held by Ningbo Power Development Company (寧波市電力開發公司), Datang International Power Generation Company Ltd. (大唐國際發電股份有限公司) and Beijing Songlian Technology Company Ltd. (北京松聯科技有限公司), being independent third parties, as to 4.10%, 2.31% and 0.41%, respectively.

(3) The remaining shares of Huatai Insurance Agency are held by China Taiping Insurance Holdings Company Ltd. (中國太平保險控股有限公司), Australia IBL Company Ltd. and Singapore Reinsurance Corporation, being independent third parties, as to 25%, 12.5% and 10%, respectively.

This section contains discussions of premiums data compiled by the CIRC based on unaudited data published by the CIRC. These premiums data differ from our IFRS financial data presented elsewhere in this prospectus. The premiums data relating to our P&C reinsurance, life and health reinsurance and primary P&C insurance business segments as disclosed in this section are before inter-segment eliminations.

OVERVIEW

We are currently the only domestic reinsurance group in the PRC. We were also Asia's largest and the world's eighth largest reinsurance group in terms of reinsurance premium income in 2014, according to A.M. Best. We originated from The People's Insurance Company of China, the first insurance company in the PRC founded in 1949. As the only domestic reinsurance group in the PRC, we have played an active role in the development of the country's insurance industry by leading and expanding its reinsurance market and promoting sound and rapid development of its primary insurance market. We have maintained a leading position in the PRC reinsurance market since our formation, and we have established a strong client base with long-term business relationships with an overwhelming majority of domestic insurance companies.

We operate our domestic P&C reinsurance business primarily through our wholly-owned subsidiary China Re P&C, our life and health reinsurance business primarily through our wholly-owned subsidiary China Re Life, and our primary P&C insurance business through China Continent Insurance, in which the Group Company holds a 93.18% equity interest. We manage our insurance funds in a centralised and professional manner primarily through China Re AMC, which is jointly owned by the Group Company, China Re P&C, China Re Life and China Continent Insurance. In addition, we underwrite nuclear insurance business at the Group Company level through China Nuclear Insurance Pool, or CNIP. We operate our international P&C reinsurance business and certain legacy domestic and international P&C reinsurance business of the Group Company through China Re P&C and certain legacy domestic life and health reinsurance business of the Group Company through China Re Life. We conduct our Lloyd's business through China Re Syndicate 2088, a syndicate at Lloyd's.

- According to the data published by the CIRC, we ranked first with a Market Share in terms of Premiums Ceded of 33.1% in the PRC P&C reinsurance market in 2013.

- According to the data published by the CIRC, we ranked second with a Market Share in terms of Premiums Ceded of 37.7%, and ranked first when financial reinsurance was excluded, in the PRC life and health reinsurance market in 2013.

- According to the data published by the CIRC, in terms of Original Premium Income, we ranked sixth among PRC P&C insurance companies with a market share of 3.0% and 3.1% in 2014 and the first half of 2015, respectively.

- As at 30 June 2015, our total investment assets amounted to RMB145,232 million, including RMB136,346 million under the management of China Re AMC. In 2014 and the first half of 2015, the total investment yield of our Group on a consolidated basis was 6.54% and 6.95% (not annualised), respectively.

We achieved rapid growth during the Track Record Period in terms of total assets, GWPs and net profit. Our total assets grew at a CAGR of 13.2% from RMB148,029 million as at 31 December 2012 to RMB189,675 million as at 31 December 2014; our GWPs grew at a CAGR of 11.5% from RMB59,299 million in 2012 to RMB73,753 million in 2014; and our consolidated net profit grew at a CAGR of 53.7% from RMB2,318 million in 2012 to RMB5,476 million in 2014. Our total assets were RMB230,794 million as at 30 June 2015. Our GWPs and consolidated net profit were RMB43,048 million and RMB6,682 million, respectively, in the first half of 2015.

We seek to become a world-class diversified reinsurance group with a leading domestic market position and superior risk management capabilities. By having both reinsurance and insurance, P&C and life and health lines, domestic and international businesses, and underwriting and asset management, we have created a complementary business model that is conducive to a synergistic environment. Our businesses covering both primary insurance and reinsurance allow us to seize the growth and profit opportunities from these two segments of the industry value chain and benefit from the expected rapid growth of both the primary insurance and reinsurance markets. In 2014, our GWPs (before inter-segment eliminations) from the P&C reinsurance, life and health reinsurance and primary P&C insurance businesses represented 42.2%, 28.6% and 30.5%, respectively, of our GWPs. In the first half of 2015, our GWPs (before inter-segment eliminations) from the P&C reinsurance, life and health reinsurance and primary P&C insurance businesses represented 34.4%, 36.1% and 30.9%, respectively, of our GWPs.

The following table sets forth a breakdown by business segment of our GWPs during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
	(RMB in millions)			
P&C reinsurance	26,210	30,086	31,135	14,813
Life and health reinsurance	16,057	18,394	21,081	15,543
Primary P&C insurance	17,940	19,909	22,459	13,291

We were rated "A" with a stable outlook by A.M. Best for five consecutive years from 2010 to 2014. In 2014, we obtained ratings from Standard & Poor's, receiving an "A+" rating with a stable outlook. We believe such ratings demonstrate our overall strength.

Benefiting from our leading market position, strong client base, reinsurance-focused, diversified businesses, advantages in domestic data and technical expertise, proficient asset management, strategic planning for emerging businesses, centralised management and control at the Group Company level, solid risk management capabilities and experienced management team, we believe that we are well positioned to capture the opportunities made available by the transformation and development of the PRC primary insurance and reinsurance markets, to achieve a steady growth in our business and profitability and to provide long-term and competitive returns to our Shareholders.

OUR STRENGTHS

We are the pioneer of the PRC reinsurance industry, with a leading market position, extensive brand recognition and a strong client base

We are currently the only domestic reinsurance group in the PRC. We were also Asia's largest and the world's eighth largest reinsurance group in terms of reinsurance premium income in 2014, according to A.M. Best. Leveraging our decades of accumulated experience, we have played an active role in the development of the PRC insurance industry by leading and expanding the reinsurance market, promoting sound and rapid development of the primary insurance market and contributing to the country's economic and social advancement. As a domestic reinsurance group with deep roots in the PRC market, we have long served as the primary provider of reinsurance, and we are dedicated to providing capital relief, risk management and expertise transfer, as well as quality reinsurance services and technical support, to the PRC primary insurance industry. We have accumulated a wealth of business resources and capabilities through our businesses, and won extensive recognition from our clients and for our brand "China Re".

We have led the industry development in the PRC as a pioneer in many products and technical fields, including publishing the first set of P&C insurance exposure curves that reflect the risk characteristics of the PRC market and pioneering the first cross-border RMB reinsurance arrangement. In addition, we have participated in the regulator's research and formulation of industry policies and regulations, such as the formulation of the C-ROSS regime and market-oriented reform of commercial motor insurance, and the construction of mortality tables and the critical illnesses table. Such efforts helped promote the standardisation and sound development of the PRC insurance industry. Furthermore, we have lent our full support to the development of the PRC insurance market that serves the public interest by participating in the study of premium rates for agricultural insurance and the development of the national catastrophe insurance programme to promote economic development and social stability. We have been a core member of many industry organisations, such as CNIP, CARP and CECIP, which provide risk protection for the country's strategic industries, such as nuclear energy and agriculture.

We have long maintained a leading position in the PRC reinsurance market. According to the CIRC, we have consistently ranked first in the PRC reinsurance market in terms of premium income since the reinsurance market was opened up in 2002 following China's entry into the World Trade Organisation. In addition, as the primary provider of reinsurance in the domestic reinsurance market, we are the lead reinsurer in most of our reinsurance contracts in the PRC. In 2014, we were the lead reinsurer in 34% of the P&C reinsurance contracts and in 82% of the life and health reinsurance contracts that we underwrote. We believe our position as the principal lead reinsurer in the PRC reinsurance market is a testament to our outstanding client service and our clients' trust in us.

Leveraging our leading market position and strengths in the domestic reinsurance market, we have established a strong client base with long-term business relationships with an overwhelming majority of domestic insurance companies. We have extensive client coverage of insurance companies in the PRC. As at the Latest Practicable Date, our reinsurance clients consisted of 66 P&C insurance companies and 70 life and health insurance companies in the PRC, including such companies as PICC

P&C, CPIC P&C, Ping An P&C, China Life, Ping An life and New China Life, or 93% of the insurance companies in the PRC as at the same date. We endeavour to establish close contacts and in-depth communications with our clients, and we have primarily developed our business through our direct channel rather than through intermediaries. Moreover, we attach great importance to cultivating client relationships, and we have built our business relationships with an overwhelming majority of our domestic clients since their formative years and as they grew. We not only provide our clients with underwriting capacity and risk mitigation, but also work closely with our core clients in actuarial pricing, risk management, underwriting and claims management and other core technical fields and cooperate in product development, so as to achieve mutual benefits while enhancing our client retention. As at 30 June 2015, we had in place long-term strategic cooperation agreements with 15 large institutions.

We believe that our long-established history, leading market position, extensive brand recognition and strong client base give us substantial competitive advantages over our major competitors in the PRC market.

Our diversified businesses, with reinsurance as the core, enable us to benefit from the expected rapid growth of the PRC primary insurance and reinsurance markets

We have diversified businesses with reinsurance as our core business, covering key segments of the insurance industry value chain, including P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and insurance brokerage businesses. We have created a complementary business model that is conducive to a synergistic environment, with both reinsurance and insurance, P&C and life and health lines, domestic and international businesses, and underwriting and asset management. Such a business mix enables us to seize the growth and profit opportunities from these segments of the industry value chain and benefit from the expected rapid growth of both the primary insurance and reinsurance markets.

The primary insurance market in the PRC is undergoing rapid growth and transformation. From 2011 to 2014, the Original Premium Income of the PRC primary insurance market recorded a CAGR of 12.2%. Despite the rapid growth, there remains substantial room for growth in the PRC primary insurance market. According to the Sigma Report 2015, in terms of total premiums in 2014, China was Asia's second largest and the world's fourth largest insurance market. In the same year, insurance penetration and insurance density in the PRC was 3.2% and US$235 per capita and ranked 44th and 57th globally, respectively. According to the Annual Report of China Insurance Market 2015, in 2014, motor insurance premiums accounted for 73.1% of the P&C insurance premiums in the PRC, and life participating products accounted for 51.3% of the life and health insurance premiums in the PRC, which demonstrates the need for further diversification in the product mix. The New Ten Guidelines provide the master blueprint for future development in the industry, including accelerating the development of the modern insurance industry, with a set target of 5% in terms of insurance penetration and RMB3,500 (or approximately US$550) per capita in terms of insurance density for the PRC insurance industry by 2020. The New Ten Guidelines also set forth the objectives of promoting the development of insurance products such as pension, commercial health, liability, catastrophe, agricultural, surety and export credit insurance. Overall, the New Ten Guidelines are expected to have a positive and profound impact on the reform and development of the PRC insurance industry.

The reinsurance industry in the PRC has ample room for growth. For example, according to Axco, the cession ratio of the P&C insurance market in the United States, Germany and the United Kingdom was 48.1%, 20.1% and 19.6%, respectively, in 2013. According to the CIRC, the cession ratio of the PRC P&C insurance market was only 13.3% in 2013. We believe that, driven by the New Ten Guidelines, reinsurance demand from primary insurance companies will increase amid changes in the product mix of the PRC primary insurance market, and the substantial growth potential of the PRC reinsurance market will be gradually realised in an increasingly mature market. In the meantime, the State Council has elevated the strategic importance of the reinsurance industry, and the regulatory authorities have responded with new regulatory rules, such as the capital supervision system of the C-ROSS regime. These actions prompt primary insurance companies to focus on the functions of risk management and the enhancement of their technical expertise, highlight the inherent advantages of reinsurance in managing complex and major risks and promote the development of the reinsurance market. Amid such industry trends, our current business portfolio allows us not only to benefit from the rapid growth of the primary insurance market but also to capture market opportunities in the reinsurance market as a result of the transformation and upgrade of the primary insurance market.

Benefiting from our diversified businesses and the rapid growth of the industry, we have achieved rapid and steady growth during the Track Record Period. From 2012 to 2014, the CAGR of our GWPs was 11.5%, while the CAGR of our GWPs from P&C reinsurance, life and health reinsurance and primary P&C insurance segments was 9.0%, 14.6% and 11.9%, respectively. In the same period, our consolidated net profit recorded a CAGR of 53.7%, while the CAGR of the net profit of our P&C reinsurance, life and health reinsurance and primary P&C insurance segments in the same periods was 36.8%, 126.0% and 11.0%, respectively.

By capitalising on our extensive domestic data and strong technical expertise, we are able to provide our insurance company clients with tailored and comprehensive risk solutions

Our strengths in domestic market data are attributed to our long operating history and the significant roles we have been playing in the PRC insurance and reinsurance industry organisations. Leveraging our decades of experience in the PRC reinsurance market and relationships with over 130 primary P&C insurance companies and life and health insurance companies in the PRC, we have accumulated abundant and extensive business data covering an extended period of time. In addition, we perform administrative functions for, or participate as a key player in, various industry organisations, such as CNIP, CARP and CECIP. As a result, we have established a strong data advantage. For example, in P&C reinsurance we believe we possess the largest actuarial database in the PRC P&C reinsurance market, and we have set up a P&C insurance data analysis centre in May 2013, which provides database service and risk analysis for the PRC P&C insurance industry. In addition, we published China's first set of P&C insurance exposure curves in September 2013, which provide a risk reference standard that reflects the risk characteristics of the PRC P&C insurance market for the P&C product pricing. We also worked closely with China Meteorological Administration on catastrophe risks-related research. In life and health reinsurance, we were commissioned by the CIRC and the Insurance Association of China to lead the preparation of the China Life Insurance Experienced Critical Illnesses Table (2006-2010) and the China Insurance Disability Standard. In addition, we participated in the construction of the China Life Insurance Mortality Table (2000-2003) and the third mortality table. Through such efforts, we have gained a deep understanding of industry data while providing a wide range of professional services to our clients.

We have a strong technical advantage in data analysis, which enables us to offer a wide range of professional value-added services to our clients. In P&C reinsurance, we have successfully developed and adopted an economic capital model in our businesses and developed a proprietary core analysis system (REAPS) in line with international standards. Moreover, we have proactively introduced advanced analytical tools and models from the international market and incorporated PRC domestic market data and experience in our risk assessment. We have utilised both AIR and RMS catastrophe models and have further improved and refined such models based on our data and research. For example, we cooperated with RMS, an international catastrophe model company, to upgrade RMS's China typhoon model. We have China's first RMS Certified Catastrophe Risk Analyst (CCRA) and first AIR Institutes' Certified Catastrophe Modeler (CCM). In life and health reinsurance, we provide strong support for our clients through services in areas such as underwriting, claims management, product and platform development, facultative reinsurance, and training and seminars. We have developed the Electronic Underwriting Manual, the Sales Support Rules Engine and the Claims Inquiry System to support primary insurance companies. Based on China's demographic and epidemiological data, we have compiled the "China Re Life Online Electronic Underwriting Manual" tailored for China's life and health insurance market. The manual provides authoritative underwriting standards for its users and significantly improves the efficiency and quality of our claims management services. Our Sales Support Rules Engine provides standardised underwriting procedures and helps primary insurance companies improve underwriting efficiency by enabling automatic underwriting and issuance of policies through interactive questionnaires. We have also developed the Claims Inquiry System, which we believe is currently the only auxiliary inquiry system in the PRC market that incorporates the amended assessment criteria for injuries and disabilities and their ICF (International Classification of Functioning, Disability and Health) codes in dealing with claims relating to accidental injuries and disabilities. This system significantly improves the accuracy and consistency in handling such claims relating to accidental injuries and disabilities and leads to enhancement in the efficiency of our clients' claims settlement procedure and in our professional service standard.

The abundance of our domestic data and our technical advantages in data analysis enable us to provide tailored and comprehensive risk solutions for our clients to meet their specific needs. We have designed our reinsurance arrangements based on the features of the underlying insurance products, the nature of the relevant risks and client needs, and we offer differentiated and value-added client services in such core aspects as underwriting techniques, pricing models and data analysis.

We have proactively expanded into strategic and emerging reinsurance businesses to capture industry growth opportunities

We have been expanding into emerging reinsurance businesses to enhance our future growth potential. In addition to providing conventional reinsurance, we endeavour to offer innovative products and services, to promote industry innovations, to provide reinsurance support to China's economic reform and to meet diverse market demands. We believe that we are able to capture the significant opportunities for the insurance industry arising from the PRC Government's efforts to transform the manner in which China's economy develops and Chinese society is served and protected, and to develop strategic and emerging businesses to generate value for our Shareholders.

We have participated in and promoted the development of emerging insurance products in the PRC and continued to strengthen our strategic positioning in these emerging areas in order to capture significant future growth opportunities in the industry. In agricultural insurance, we co-founded CARP along with 23 primary insurance companies in November 2014, and we perform administrative functions for CARP. In addition, we have participated in the PRC Government's initiative to establish risk diversification mechanisms for agricultural catastrophe insurance. We have cooperated with primary insurance companies in risk analysis and geographically differentiated rating of plant insurance. In catastrophe insurance, we worked closely with domestic regulators in connection with the establishment of catastrophe insurance industry framework in 2014. We were the only reinsurance company involved in the establishment of CECIP in April 2015, and we have played a constructive role in product design and other core aspects of its operation. In addition, we have participated in several regional catastrophe insurance pilot programmes by leveraging our strengths in catastrophe data and our expertise in the design of integrated risk solutions for the pilot programmes that reflect each region's specific risk profile. For example, we are the lead reinsurer and extensively involved in the catastrophe insurance pilot programme for typhoons and floods in Ningbo. In addition, through an independent special purpose vehicle, we successfully sponsored the issuance, in the overseas markets, of the first catastrophe bond linked to China earthquake risks, which marked a breakthrough in the PRC's insurance industry in using alternative risk transfer instruments.

In connection with the transformation and reform in the life and health insurance industry, we have explored opportunities in health insurance, in particular critical illness, cancer and mid- and high-end medical insurance. Through our extensive study of the risk and morbidity with respect to China's critical illness insurance products, we have established a strong competitive edge in the risk management and pricing of these products and become one of the principal reinsurers for such business in the PRC market. Since 2014, we have worked with over 20 primary insurance companies in developing new cancer insurance products. In addition, we have made substantive progress in the fields of mid- and high-end medical insurance and tax-preferred health insurance.

We have steadily promoted our strategy of international expansion to diversify our risks in the global market and optimise our business portfolio. The access to advanced technical expertise and talent on the global market has also benefitted our domestic business. We have established strategic business relationships with international insurance and reinsurance companies to better develop our international business. In 2011, we became the first PRC company to obtain Lloyd's membership. In December 2011, we established China Re Syndicate 2088, a special-purpose syndicate at Lloyd's. In November 2014, we transformed the special-purpose China Re Syndicate 2088 into an independent syndicate and began to conduct underwriting business under our brand.

The acceleration of RMB internationalisation has driven a rapid growth in the demand for RMB-denominated insurance products. By leveraging our leading position in the domestic market, we explored market opportunities and have developed diversified overseas RMB businesses. Furthermore, in 2010, we pioneered the launching of cross-border RMB reinsurance business in Hong Kong. Through our efforts in recent years, we have established our dominant position in cross-border RMB reinsurance business in markets such as Hong Kong, Macau, Singapore and Taiwan, expanding our premium sources in life and health reinsurance business. As at 30 June 2015, we had concluded 26 treaties and 119 addendums with 20 ceding companies for cross-border RMB reinsurance business. In 2014, our TWPs from newly reinsured RMB-denominated individual insurance policies in Hong Kong accounted for approximately 42% of the total new business premiums of RMB-denominated individual insurance policies underwritten by primary insurance companies in Hong Kong. In addition, we are exploring business opportunities in the overseas market, such as the reciprocal business relating to longevity risks, so as to build our technical advantage in this field in the PRC market.

We have a nationwide distribution and service network and a favourable market position in the PRC primary P&C insurance market. We have also embarked on business transformation in response to changing market conditions, as well as expansion into strategic and emerging businesses

Our primary P&C insurance business enjoys a nationwide distribution and service network and an extensive customer base. As at 30 June 2015, our P&C insurance distribution and service network in the PRC consisted of approximately 1,890 branches and sub-branches, as well as other sales and service outlets, covering all of the PRC provincial level regions except for Tibet. As at 30 June 2015, we had an approximately 23,500 in-house sales force and approximately 24,600 individual insurance agents and had business relationships with approximately 1,300 professional insurance agencies, approximately 6,500 ancillary insurance agencies and approximately 240 insurance brokers. Taking advantage of our nationwide network, we have developed an extensive customer base for our P&C insurance business. As at 30 June 2015, our P&C insurance customers included approximately 13.873 million individuals and approximately 435,000 entities.

Our favourable market position in the PRC primary P&C insurance market has brought steady business growth. In terms of Original Premium Income published by the CIRC, in the first half of 2015, we ranked sixth among all PRC primary P&C insurance companies, with a market share of 3.1%. Our Original Premium Income increased by 19.8% year on year in the first half of 2015, which was 8.0 percentage points higher than the overall growth rate of 11.8% for the PRC primary P&C insurance industry during the same period.

To adapt to the P&C insurance industry trends, and by focusing on profitable business development and customer service, we have accelerated our business transformation in such traditional business lines as motor insurance and expanded into strategic and emerging business areas. By implementing differentiated underwriting strategies, we have strengthened our risk-screening abilities, thus improving our business quality. In 2014, our combined ratio in P&C primary insurance business decreased by 3.35 percentage points year-on-year, with a further decline of 1.92 percentage points in the first half of 2015. In 2014, we started to classify our individual motor insurance customers and introduced new pricing risk factors, such as customers' continuous years of insurance with us, number of accidents and the average amount of claim payment for each accident. Such measures improved our ability for differential pricing and risk screening and prepared us for the market-oriented reform of commercial motor insurance. While maintaining our strengths in traditional business, we have intensified our efforts to expand into emerging business areas and capture significant growth opportunities in the industry. We have achieved substantive breakthroughs in areas such as critical illness medical insurance, plant insurance, food safety liability insurance and residential buildings earthquake insurance. In 2014, we became one of five PRC P&C insurance companies authorised to operate short-term export credit insurance business. In January 2015, we became the third PRC P&C insurance company authorised to sell personal loan surety insurance products. In 2013, we set up an e-commerce business centre to promote the integration of online sales and telesales and the development of mobile Internet marketing channels.

We have built a professional team and acclaimed capabilities to drive innovation in our asset management business, and our total investment yield has steadily improved

The asset management industry is entering "Big Asset Management" era, which presents new opportunities. We have adhered to our "talent first" development strategy and endeavoured to build market-oriented mechanism to attract high-end talent. We value the central role of human resources in the development of our asset management business in order to capture market opportunities. Through our market-oriented incentive mechanisms, we have attracted professionals with extensive investment experience and broad investment perspectives to strengthen our investment research and management capabilities over time. As at 30 June 2015, we had a professional investment and research team of 93 members, with 58 dedicated to traditional front desk business and 35 dedicated to emerging business areas, such as alternative investments and development of insurance asset management products. Over half of the team members have more than ten years of relevant work experience. Seven members have received the Chartered Financial Analyst (CFA) designation, and nine members are qualified as Certified Public Accountant (CPA) or registered legal counsel.

We manage our Group's investment assets in a centralised and professional manner. In our centralised management model, we make decisions at the Group Company level for the strategic allocation of the Group's investment assets and selection of asset managers. We have established China Re AMC as the dedicated investment platform for the Group and tasked China Re AMC with decisions on tactical asset allocation and investment portfolio management. We have established specialised teams under China Re AMC for alternative investments, overseas investments, third-party asset management business and development of insurance asset management products, and we will continue to promote the development of specialised sub-platforms under China Re AMC.

Driven by the deregulation of insurance asset investments, we have been strengthening our innovation capabilities in order to meet the demands of our internal and external asset management clients, capture growth opportunities in the industry and achieve higher investment returns. Having been qualified to conduct all asset management businesses permitted by the CIRC, we moved rapidly to commence the relevant business activities. Focusing on innovation, we have made several industry-leading achievements and have won acclaim from industry peers.

- We are among the first PRC insurance companies to establish a professional asset management platform, China Re AMC, which has since built up its brand influence.

- We have actively invested in an overseas private equity fund after the CIRC further liberalised overseas investments in 2012.

- We completed our first investment in overseas preferred stock in the Hong Kong market with insurance funds, which was our first overseas investment in hybrid capital instruments.

- We are the first domestic insurance company to design and issue hybrid equity/debt insurance asset management products for investment in rail transportation projects by adopting an innovative structure of equity with debt features, extending the horizons of insurance asset management innovation.

We continue to strengthen the roles of risk management and operation management in supporting our asset management business. We have established a comprehensive risk management system for our asset management business. We have built an operation management system at China Re AMC with the Sophis system as its core to achieve the integration of the functions of front, middle and back offices of our investment management business.

We have improved our asset management capabilities over the years through the implementation of the foregoing measures. As a result, we have achieved solid investment performance in recent years. In 2012, 2013 and 2014, the total investment income of the Group on a consolidated basis was RMB3,874 million, RMB5,782 million and RMB8,397 million, respectively, with a CAGR of 47.2% from 2012 to 2014. During the respective periods, the total investment yield of the Group on a consolidated basis was 3.99%, 5.18% and 6.54%, respectively. For the same periods, the investment return of the PRC insurance industry as published by the CIRC was 3.4%, 5.0% and 6.3%, respectively. We also achieved steady growth in the Group's total investment assets in recent years. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's total investment assets amounted to RMB105,385 million, RMB118,048 million, RMB138,873 million and RMB145,232 million, respectively, with a CAGR of 14.8% from 2012 to 2014.

We have implemented efficient management at the Group Company level with solid risk management capabilities

We have established a Group-wide management framework, which combines management by function and segment with built-in flexibility that takes into account different characteristics of our businesses, so as to promote the integration and optimal allocation of resources and enhance operational synergies and efficiency within the Group. We have established several management committees and operational platforms at the Group Company level that directly supervise their counterparts at the subsidiary level. A functional management model is established in such areas as risk management, internal control and compliance, financial management, internal audit and information technology. We have built differentiated management mechanisms for the three principal segments: reinsurance, primary insurance and asset management. In terms of our reinsurance businesses, we have transcended the administrative boundaries between the Group Company and the subsidiaries, strengthened the professional management of each business line and promoted integrated management of the front, middle and back offices. In terms of our primary P&C insurance business, we have supported its professional operation and independent development under the strategic guidance of the Group Company. In terms of our asset management business, in order to meet the requirements under the new regulatory regime for investment activities of insurance companies and the needs for expansion, we have enhanced our asset management platform, promoted the organisation of our asset management business by asset class and market and established and improved the Group-wide investment authorisation and decision-making mechanism to enhance our asset allocation and investment risk management.

Focusing on strategy, human resources, internal control and risk management at the Group Company level, we have established and continued to reform our market-oriented management framework, to effect the steady implementation of the Group's strategies.

- We set our overall strategic plans and make strategic decisions at the Group Company level and provide guidance to the various business segments with regard to their development objectives and principal operational tactics. In addition, we have established a strategy-oriented operational plan and a performance appraisal mechanism to help ensure the effective implementation of the Group's key strategies.

- We are committed to the development of human capital and related management mechanisms. We improve our human capital by cultivating our internal talent and hiring laterally and enhancing our staff training. By establishing a career development platform and hiring domestic and overseas talent with diverse backgrounds, we have built up a team of professionals that specialise in fields such as operational management, underwriting and claims management, product development, actuarial techniques, asset management, risk management and marketing, and we have assembled professional teams for each major business segment and business line. We have promoted market-oriented reform of our human resources management system and established contractual arrangements with senior executives of the subsidiaries, as well as an appraisal system based on employee contributions. We have established remuneration schemes that are commensurate with an employee's position, competence and performance, and we provide our employees with competitive compensation packages. Through the market-oriented innovation and reform in our human resources management, we have established a selection mechanism for professional managers, as well as promotion, training, career development, appraisal and remuneration schemes for our employees.

- Internal control and risk management are an integral part of our core competitiveness and an important contributing factor in our pursuit of sustainable development. Our comprehensive risk management framework and solid internal control capabilities have provided strong support for our business development and the implementation of our strategies.

  — We have established a Group-wide comprehensive risk management framework. Under this framework, the Board, as the ultimate decision-maker, assumes the ultimate responsibility, the senior management is responsible for management and supervision, and risk management, internal control & compliance departments are responsible for coordination and execution and all functional departments and employees actively participate.

  — Consistent with our focus on internal controls and risk management, we have organised Group-wide related trainings and information sessions. We emphasise information sharing in order to promote internal coordination in risk management. We incorporate risk management when formulating our strategies, business planning, budgeting, operation and performance appraisals. Our risk management personnel provide professional support in the identification, assessment and monitoring of risks, so as to raise risk awareness and enhance capabilities of our employees.

— We are among the leading companies in the PRC insurance industry in the development and application of risk management techniques. We have employed advanced international risk management techniques and hired experienced professionals. We have also developed a number of proprietary models, such as an economic capital model, a capital adequacy model, an insurance solvency model and an in-house rating model, to systematically quantify our risk exposures. We have established an industry-leading risk appetite system, refined the risk tolerance and risk limits of various subsidiaries, and provided risk control plans to guide our business development and support the Group's decision-making. We have started to adopt RORAC as a metric in our performance appraisal.

— We have performed a comprehensive review of risk factors and related control measures in our business areas and standard procedures. We have compiled an internal control matrix covering aspects such as company organisation, standard procedures and information technology and flow charts to provide guidance in day-to-day operations. We conduct comprehensive internal control assessments annually, as well as assessments of key issues from time to time, so as to improve our internal control capabilities on an ongoing basis.

We were rated "A" with a stable outlook by A.M. Best for five consecutive years from 2010 to 2014. In 2014 we were rated by Standard & Poor's for the first time and received an "A+" rating with a stable outlook. We believe that such ratings reflect our comprehensive risk management framework and solid risk management capabilities that are in line with international practices, as well as our overall strength and management and control capabilities.

We have an experienced and visionary management team

We have an experienced senior management team at the Group Company level, the members of which have an average of 21 years of management experience in insurance and other financial services industries. The senior management team are equipped with both domestic market insight and international perspectives. Over one third of the senior management team have overseas educational background or work experience. They possess strategic visions and have formulated well-defined development plans. In addition, they have strengthened our management and internal controls, established a comprehensive risk management system, focused on cultivating our human capital and steadily promoted the implementation of our strategies.

The senior management teams of our subsidiaries have in-depth knowledge and extensive operational and management experience in the reinsurance, insurance and asset management industries, with an average of 21 years of work experience in insurance and other financial services industries. Equipped with strong professional skills and a keen entrepreneurial spirit, they are well-positioned to grasp industry trends, capture business development opportunities and effectively implement the Group's growth strategies.

OUR STRATEGIES

We aim to become a world-class diversified reinsurance group with a leading domestic market position and superior risk management capabilities by continuing our market-oriented reforms, professional operation and internationalisation. We endeavour to achieve such objectives through in-depth cultivation of the domestic market and continued expansion in the international market, and by strengthening our core reinsurance business, expanding our primary insurance, asset management and other businesses and capitalising on our distinctive competitive advantages. We seek to provide long-term and competitive returns to our Shareholders.

Our core objectives:

- **Solidify our leading position in the PRC reinsurance industry and capture growth opportunities in the PRC insurance market.** Building upon our existing strengths in data, technical know-how, service and talent pool, we seek to enhance the competitiveness of our reinsurance business, solidify our leading position in the domestic reinsurance market and build a reinsurance brand with distinctive local advantages and internationally competitive technical capabilities. We aim to seize the growth opportunities in the upgrading and transformation of the PRC insurance industry, expand strategically into new insurance businesses, optimise our insurance business portfolio and expand our insurance service offerings, capitalising on the industry growth.

- **Create innovation-driven business models and extend the horizons of innovation.** As our core principles, we intend to be technique-based, service-oriented, innovation-driven and cooperation-minded. With our advantages in data and risk management capabilities, we plan to strengthen our in-depth cooperation with various partners, develop innovative business models, optimise our business mix and play a key role in or lead the formation of industry-wide business platforms, policy-supported business platforms and integrated service platforms. In so doing, we intend to integrate resources, such as information, data, technical expertise and underwriting capacity, and provide our clients with tailored and diversified products and services. We aim to seize the opportunities arising from the implementation of the PRC Government's "Internet+" initiative and expand into Internet-based insurance.

- **Pursue our international strategy and coordinate the development of our domestic and international businesses.** Through branch offices, equity investments and strategic cooperation, we plan to optimise our business mix and enhance our competitiveness in the domestic market by further pursuing our international strategy. We aim to improve our capabilities in key areas, such as underwriting, pricing and risk management, by integrating international technical expertise, business experience and professional talent with resources in the domestic insurance market, thereby driving the innovation of our domestic insurance business that will lead to new business sources while promoting the sustained and sound growth of our overall business.

To realise the above core objectives, we plan to implement the following measures:

Reinsurance business: in the domestic market, we seek to continue strengthening our traditional businesses, develop emerging businesses and policy-supported businesses, promote business model innovation and new service platforms and solidify our leading position in the domestic reinsurance market; and in the international market, we aim to expand the global presence of our reinsurance business, gradually increase the proportion of international business in our overall reinsurance business operations, enhance our brand recognition and become an important player in the international reinsurance market.

- **Further develop our traditional businesses with competitive advantages in the domestic market.** In P&C reinsurance, we aim to optimise our business portfolio and enhance business value while maintaining stable development of our core proportional reinsurance business. We also aim to maintain our client-oriented approach and enhance our client relationship management to solidify our position as the principal reinsurer in our reinsurance business. We intend to integrate resources in both domestic and international markets and broaden domestic market segmentation. In life and health reinsurance, we seek to focus on protection-type business, develop savings-type business through the "assets driving liabilities" model, where we design our reinsurance arrangements based on investment opportunities available, and innovate in financial reinsurance business.

- **Develop emerging insurance products, as well as policy-supported businesses.** In view of the PRC Government's reform of its governing model and the "Belt and Road Initiative", and to grasp the development opportunities arising from the New Ten Guidelines, we seek to cooperate with primary insurance companies and related institutions in key areas, such as food safety, environmental pollution, cyber security and critical illness medical expenses, and in the key projects, such as high-speed rail, nuclear power and the "Prototype Equipment" initiative ("首台(套)設備"政策) under the PRC Government's "Go Global" strategy, to develop corresponding reinsurance products and promote innovations and breakthroughs through insurance pools and business service platforms. We aim to provide primary insurance companies with long-term, stable underwriting capacity and technical support in product pricing and risk diversification in such policy-supported businesses as liability, credit, surety, agricultural, catastrophe, health, tax-deferred pension and long-term care insurance. In addition, we plan to work with relevant governmental authorities in formulating related rules and regulations in such policy-supported businesses. We also plan to explore new opportunities in the area of Internet-related businesses.

- **Promote the development of agricultural reinsurance and catastrophe reinsurance.** With respect to CARP, we aim to develop its key role in the risk diversification mechanism for agricultural catastrophes in the PRC and apply our experience with CARP to develop a competitive edge in the management of other industry platforms. We hope to benefit from the establishment of a catastrophe insurance system in the PRC by fully capitalising on our professional position as the primary provider of reinsurance in the PRC. We also plan to explore new risk diversification mechanisms by transferring major risks to the global insurance market, as well as domestic and international capital markets, through the use of such instruments as catastrophe bonds and sidecars, and thus build up our leading position in the domestic insurance risk securitisation area.

- **Continue to utilise our reinsurance expertise to play a critical role in the accumulation and analysis of industry data and formulating industry standards.** We seek to strategically position ourselves to improve our technical expertise in areas such as insurance risk screening, product pricing, modelling and risk control in response to market demand. In P&C reinsurance, we plan to engage, along with relevant governmental and regulatory authorities, in catastrophe data study, modelling and risk management and to continue to strengthen our data service support with respect to exposure curves and industry risk study and elevate the status of our industry data analysis centre. In life and health reinsurance, we plan to continue to contribute as an industry leader in insurance product pricing and formulating industry standards, such as the third mortality table and any potential new critical illness table in the future.

- **Provide customers with more support and services through business model innovations.** In light of the emergence of new players in the PRC insurance market, we aim to establish long-term and stable business relationships with primary insurance companies, captive insurance companies and mutual insurance companies based on complementary cooperation and mutual benefit. We intend to participate in the establishment of third-party insurance exchange platforms, third-party policy sale and issuance platforms and third-party underwriting, claims-settlement and rescue platforms that facilitate the insurance business process. We also plan to provide comprehensive services for our clients by utilising the network, personnel and technical resources of our primary insurance and asset management businesses.

- **Steadily promote the development of overseas reinsurance business and, in turn enhance our domestic reinsurance business.** In P&C reinsurance, we aim to steadily grow our Lloyd's business, enhance the brand recognition and client base of our Lloyd's syndicate and establish our presence in major global reinsurance hubs over time. Through developing overseas business, we plan to introduce international talent and relevant advanced technical expertise and experience to drive the innovation and development of our domestic business. In life and health reinsurance, we aim to cultivate existing cross-border RMB business, step up our efforts to expand such business, deepen our cooperation with established international counterparties in health insurance and longevity risk areas and build up competitive advantages in related technical expertise in the domestic market.

Primary insurance business: build up a comprehensive primary insurance brand featuring overall competitiveness and outstanding customer service by solidifying traditional businesses, cultivating business innovation, promoting the transformation of our business models and the expansion across the industry value chain, and implementing the "Internet+" strategy.

- **Solidify traditional businesses.** With our strengths in professional team, distribution channels and branch networks, we aim to achieve sustainable growth in our traditional businesses, such as motor, commercial property and engineering insurance, and in turn, to support our innovative business. We will improve sales capabilities by strengthening existing channels and enhancing specialisation in e-commerce, car dealers and key accounts channels. To adapt to the market-oriented reform of commercial motor insurance, we endeavour to enhance our capabilities in differentiated pricing, improve customer experience and fine-tune the management of motor insurance. We aim to continue strengthening our risk management capabilities in non-motor insurance businesses, so as to further expand the scale of our traditional businesses.

- **Accelerate the development of innovative businesses.** We aim to take advantage of the implementation of the New Ten Guidelines and develop health, liability, agricultural, credit and other non-motor insurance businesses, increase our market share and optimise our business mix. We also intend to develop personal loan surety insurance as a new growth driver in our P&C insurance business.

- **Accelerate the transformation of our business models.** We plan to accelerate our transition toward a "customer-oriented" business model, enhance our risk pricing and our marketing capabilities tailored to customer needs, promote integration among various sales channels, provide differentiated services based on customer segmentation and achieve effective management of our customer lifetime value.

- **Implement the "Internet+" strategy**. To seize the business opportunities arising from the government's "Internet+" initiative, we plan to set up an e-commerce company to develop our e-commerce business and accelerate the development of standardised online products, as well as atomised online products that are tailored to satisfy specific needs of online customers, and build online customer acquisition platforms featuring multiple channels, portals and platforms. We aim to integrate service resources in the automobile aftermarket and build mobile-based, online-to-offline (O2O) service and marketing platforms and an online customer ecosystem to support the new service and marketing model. We also plan to explore new business models for Internet-based insurance, so as to provide related risk services. We will explore Usage-Based Insurance (UBI) by using telematics to provide pricing support upon the implementation of the market-oriented reform of commercial motor insurance.

- **Improve information technology governance.** We expect to formulate new strategies for the development of information technology, increase relevant investments and enhance the supporting role of information technology in business development and innovation. We seek to accelerate the implementation of relevant technologies and adopt new technologies in our business development. We plan to introduce "big data" technologies, set up data mining platforms and build our own data mining capabilities, so as to provide support for marketing, pricing and differentiated service.

- **Diversify our business lines.** We intend to explore an expansion into the primary life and health insurance market, when opportunities arise, so as to enable synergy between P&C and life and health insurance businesses, such as the sharing of resources in customers, sales channels, customer services and back office operations. Through equity investments in automobile technology research institutions and the automobile aftermarket, we also plan to integrate service resources that meet our customers' needs and expand into the automobile aftermarket, such as car washing, maintenance and repair, so as to seize insurance business opportunities in such market. We also intend to invest in industries related to health services when such opportunities arise to provide strategic support for innovation in health insurance.

Asset management business: enhance the core competitiveness of our asset management business by focusing on performance and brand, improving asset management and risk control capabilities, promoting product and service innovation and implementing mechanism reforms.

- **Improve investment performance to provide support for our underwriting businesses, while adhering to prudent investment philosophy.** We aim to enhance investment management and risk control capabilities in managing the Group's insurance funds. In addition to meeting clients' requirements on asset-liability management, we aim to seek strategic investment opportunities and optimise asset allocation on an ongoing basis. We seek to, by improving long-term investment returns, explore businesses based on the model of "assets driving liabilities" and provide support for the development of our business.

- **Enhance business innovation and diversify our asset management business.** To seize the opportunities arising from the New Ten Guidelines and the "Belt and Road Initiative", we intend to promote product and service innovation and accelerate the expansion of our third-party asset management business. We aim to adapt to market trends and build up investment sub-platforms under China Re AMC in fields such as open market investments, alternative investments, real estate investments, overseas investments and product development. We also intend to make use of "big data", cloud computing and other Internet technologies to further promote the service innovation in our asset management business.

- **Accelerate the development of information technology systems to help ensure healthy and sustainable growth in our asset management business.** We intend to devote more resources to enhance our operation management system that can provide reliable mid- and back-office support for our asset management business. We also intend to upgrade our data platform and business management systems, forming part of a comprehensive asset management information platform for the Group in order to promote the integration of information technologies and business operations. We also intend to leverage our strengths in mid- and back-offices to seek outsourcing business opportunities and create value.

- **Promote the philosophy that risk management creates value and enhance risk control and management systems.** We aim to establish a risk management framework that incorporates advanced risk management concepts and procedures, as well as a risk management culture involving all employees. We seek to strengthen our compliance and internal control functions, improve our ability to identify and mitigate market risks, credit risks and operational risks and establish and refine risk control and management systems that feature multiple lines of defence and comprehensive control procedures.

Group management and control: enhance the Group's synergies and overall competitiveness and support our business development and the implementation of our strategies by further developing our group management and control framework that combines management by function and segment with built-in flexibility that take into account the different characteristics of our businesses, while focusing on strategic management, capital management, internal controls and risk management and human resources management.

- **Strengthen the Group's strategic management.** We are in the process of devising the Group's strategy for the "13th Five-Year Plan" to take advantage of social, industrial and technological developments. We seek to explore a mechanism of coordination for strategic initiatives that integrate our internal and external resources. We seek to establish a tiered decision-making mechanism and a more efficient authorisation management system that facilitate day-to-day operations. We also intend to improve existing strategic management systems, enhance the guiding role of the Group's overall strategic planning in the development of the various business lines, improve management by strategic objectives and performance assessment mechanisms and improve the Group's management capabilities and operating efficiency.

- **Strengthen the Group's capital management.** We plan to improve capital management in light of regulatory changes such as the C-ROSS regime. We closely monitor our different capital needs, including solvency capital requirement, rating capital requirement and risk capital requirement via various models. We aim to optimise our mid- and long-term capital planning and meet our core objective of improving the efficiency of capital deployment. We aim to actively manage our capital through diverse approaches. We also aim to improve our capital replenishment mechanisms by using multiple capital market instruments, to optimise capital allocation and to facilitate the implementation of our strategies through effective capital management.

- **Strengthen the Group's internal controls and risk management.** We believe that risk management creates value. To promote this key notion, we aim to improve the Group's comprehensive risk management framework and optimise the selection and management of risk portfolios, with a view to maximising the RORAC. We intend to achieve this in accordance with our Group's risk appetite system, by further exploring the use of risk management tools such as economic capital models, stress and scenario tests, liquidity management tools and an early warning system of key risk indicators. For catastrophe risks, we aim to further explore the applications of the current RMS and AIR models and develop own opinions with regard to Chinese perils. For better risk governance, we aim to encompass the requirements under the C-ROSS regime and build our comprehensive risk management framework taking account of our own risk profile and management needs. We aim to strengthen our brand recognition by enhancing our technical expertise relating to risk management. We aim to devote more resources to product development and provide professional risk solutions to our clients. We also aim to increase investments in information technology and upgrade relevant risk management information systems by automating and streamlining the risk and financial information collection via further customisation of the New Core Insurance System, a comprehensive reinsurance data system developed on SICS platform. We aim to synchronise the risk management, capital management, pricing and underwriting and related management decisions making, in an effort to achieve full coverage and real-time monitoring of risks. We seek to align our internal control systems with capital market standards, the C-ROSS regime and our international strategy and enforce internal controls at each step of our operations and management by formulating standard operating procedures, enhancing information technology capabilities and improving personnel training. To further refine our internal controls, we also intend to intensify the review of our internal control systems, enforce remedial measures to address any deficiencies identified and improve the information systems of our internal controls.

- **Deepen the market-oriented reform of human resources management.** In order to implement the Group's overall strategic plans, we intend to deepen the market-oriented reform of our human resources management. We strive to be innovative in talent recruitment, development, appraisal, and incentive mechanisms, establishing a career development programme and effective incentive and discipline mechanisms that are in line with market practices. In particular, we intend to develop our talent pool for emerging and overseas businesses in fields such as operations management, product development, asset management, data analysis, risk management and Internet-based finance. We also seek to strengthen our team of professional managers, achieve balanced development of our core business team members and other tiers of our staff and assemble a staff force comprising talent with different seniorities, skills and backgrounds. We plan to enhance our talent development mechanisms, devote more resources to human capital and provide more career development opportunities for our employees, so as to achieve our and our employees' development in parallel. We aim to reform our appraisal system and fine-tune our performance evaluation, so as to improve organisational efficiency and employees' professional skills. We also plan to develop remuneration schemes that take into account both short-term incentives and mid- and long-term incentives, in order to align employees' remuneration with their competence, performance and contributions. We believe that our corporate culture will help us attract and retain top talent.

P&C REINSURANCE BUSINESS

Overview

Our P&C reinsurance business segment primarily consists of (i) domestic P&C reinsurance business, (ii) international P&C reinsurance business, (iii) Lloyd's business, and (iv) CNIP business. In addition, our P&C reinsurance business segment includes certain legacy P&C reinsurance business operated by China Re P&C on behalf of the Group Company. The reinsurance premium income from our legacy P&C reinsurance business accounted for less than 0.1% of the reinsurance premium income from our P&C reinsurance business segment during the Track Record Period. P&C reinsurance business is our core business segment. In 2014, the reinsurance premium income from P&C reinsurance business segment accounted for 42.2% (before inter-segment eliminations) of our Group's GWPs. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our P&C reinsurance business was RMB26,210 million, RMB30,086 million, RMB31,135 million and RMB14,813 million, respectively. Our P&C reinsurance business segment primarily consists of the following:

- domestic P&C reinsurance business, which refers to our P&C reinsurance business written from ceding companies in the PRC and operated by China Re P&C. In 2014, the reinsurance premium income from our domestic P&C reinsurance business was RMB29,296 million, accounting for 94.1% of the reinsurance premium income from our P&C reinsurance business segment. Our domestic P&C reinsurance business provides reinsurance coverage for a wide range of lines of business available in the PRC market, including motor, commercial property and household, engineering, agricultural and liability insurance;

- international P&C reinsurance business, which refers to our P&C reinsurance business written from ceding companies outside the PRC and operated by China Re P&C on behalf of the Group Company. In 2014, the reinsurance premium income from our international P&C reinsurance business was RMB1,357 million, accounting for 4.4% of the reinsurance premium income from our P&C reinsurance business segment. Our international P&C reinsurance business primarily provides reinsurance coverage for non-marine (e.g., property and engineering), specialty (e.g., marine, energy, aviation and aerospace), liability and motor insurance;

- Lloyd's business, which refers to business underwritten by China Re Syndicate 2088 that was established at Lloyd's by our Group Company through its subsidiary, China Re UK. In 2014, the reinsurance premium income from our Lloyd's business was RMB476 million, accounting for 1.5% of the reinsurance premium income from our P&C reinsurance business segment; and

- CNIP business, which refers to the business underwritten by the Group Company through CNIP, including both domestic and overseas nuclear insurance business. Besides the Group Company, our subsidiaries China Re P&C and China Continent Insurance also underwrite business through CNIP and we record their premium income from CNIP as income from domestic P&C reinsurance business and income from primary P&C insurance business segment, respectively. The reinsurance premium income from our CNIP business was RMB55 million in 2014, accounting for 0.2% of the reinsurance premium income from our P&C reinsurance business segment. Our CNIP business primarily covers nuclear property risks and nuclear third-party liability risks.

We are a leading player and primary provider of reinsurance in the PRC P&C reinsurance industry, in which we have consistently maintained the largest market share. According to the data published by the CIRC, we enjoyed a leading market position with a Market Share in terms of Premiums Ceded of 33.1% in the PRC P&C reinsurance industry in 2013.

Our leading position in the PRC P&C reinsurance industry is attributable to our distinctive local market advantages as a result of our deep roots in the PRC market, our longstanding client relationships and the key roles we have played in the PRC insurance industry development. In addition, our leading position is enhanced by our strengths in strategic management, professional talent, data analysis as well as technical expertise that have been gradually established.

We have a long operating history in the PRC P&C reinsurance industry with a key role in promoting industry development, economic development and the society's well-being. Through our operation, we have established a deep understanding of the PRC P&C insurance market, accumulated a wealth of business resources and received wide recognition from domestic clients.

We have established long-term relationships with the vast majority of domestic P&C insurance companies and enjoy a strong client base. We have an extensive coverage of domestic P&C insurance clients in the PRC. As at the Latest Practicable Date, our clients consisted of 66 P&C insurance companies, or 93% of all existing P&C insurance companies in the PRC. We focus on cultivating client relationships and have established business relationships with an overwhelming majority of our clients since their formative years and as they grew. By adhering to a client-oriented service philosophy, we design our reinsurance solutions based on the features of the underlying insurance products, the nature of the risks and client needs, and offer differentiated and value-added services in such core areas as underwriting techniques, pricing models and data analysis. In addition, we cooperate with our clients in product development and innovation to achieve mutual benefits while enhancing clients' loyalty.

We undertake important responsibilities and play key roles in the establishment and management of industry platforms, driving major innovations and breakthroughs in the industry and assisting in the formulation of industry regulations.

- We have been actively taking part in the establishment and management of the reinsurance and insurance industry platforms. Our Chairman, Mr. Li Peiyu, currently serves as the Chairman of CNIP, and we are the management institution for CNIP. In addition, we are a member of CARP and perform administrative functions for it, responsible for tasks including underwriting, risk analysis, actuarial pricing and reinsurance design. In addition, we were the only reinsurance company invited to be involved in CECIP and played an active role in product design and other core aspects of its operation. Through our participation in the establishment of and our core managerial functions in these platforms, we have played a key role in the establishment and management of China's risk diversification mechanisms against nuclear, agricultural and catastrophe risks.

- We have played an important role in major innovations and breakthroughs in the industry. In catastrophe insurance, we have worked with insurance companies to develop innovative products such as China's first earthquake index insurance, participated in the CIRC's design of catastrophe insurance framework and undertaken important responsibilities including setting premium rates and designing risk diversification mechanisms. We have carried out an assessment of the industry's capacity for earthquake catastrophe insurance and the applicable premium rates for such insurance in various provinces. In addition, we proactively participated as a major reinsurer in the catastrophe insurance pilot programmes in Shenzhen, Ningbo, Dali and other regions in the PRC, contributing to the development of the PRC catastrophe insurance. Furthermore, through an independent special purpose vehicle, we successfully sponsored the issuance, in the overseas markets, of the first catastrophe bond linked to China earthquake risks, which marked a breakthrough in the PRC insurance industry in using alternative risk transfer instrument. In agricultural insurance, we participated in the PRC Government's initiative to establish risk diversification mechanisms for agriculture catastrophe risks. We have also cooperated with insurance companies in agricultural risk analysis, geographically differentiated rating of plant insurance, and agricultural insurance product development, facilitating the development of the PRC agricultural insurance industry. In addition, by undertaking industry research projects commissioned by ministries of the State Council, we assisted the regulators in the systematic study of the PRC reinsurance market's development and corresponding regulatory policies, and provided advice to the regulators on the policies and measures for promoting sustainable and healthy development of the PRC reinsurance market. As a key participant, we undertook a special project on the "Study on the Development and Regulation of the PRC Reinsurance Market" commissioned by the CIRC, and have put forward recommendations on proposed policies for the future regulation of the PRC reinsurance market based on our analysis of the development and regulation of the PRC and global reinsurance markets.

- We have taken an active part in assisting the formulation of insurance rules and regulations. For example, we participated in the formulation of the C-ROSS regime and, as a member of the working group on P&C insurance risk, we provided professional opinions on the core elements of the C-ROSS regime, including framework design and calculation of technical indicators for catastrophe risk and reinsurance. In addition, we actively participated in formulating the proposal for the market-oriented reform of commercial motor insurance, providing important support in terms of professional talent and actuarial pricing. During these significant regulatory rule-making processes, we leveraged our in-depth understanding of the PRC insurance industry, as well as our advantages in operating experience, talent, data and techniques, and played a key supporting role.

We have strong capabilities in formulating and executing our strategies. With a deep understanding of the PRC economy, the insurance industry and socio-economic transformation, we tailor our strategies to develop our business, to capture the PRC reinsurance industry trends and to achieve our strategic objectives. We aim to promote our long-term strategic planning while achieving steady business growth through industry cycles.

We have an exceptionally talented team in key business functions, including underwriting, actuarial practices and claims management. They have strong academic background and extensive industry and overseas working experience. As at 30 June 2015, our P&C reinsurance underwriting team had a total of 74 professionals who, on average, had approximately 11 years of working experience, with 11 of them having more than 20 years of working experience. Our team consists of experts with specialised background in specialty insurance, marine insurance, energy and chemical engineering, civil engineering, mechanical and electrical engineering, finance and insurance, as well as accounting and law. We have a strong actuarial team of 19 actuaries, including some with overseas working experience, seven of whom have over 10 years of experience. We believe we have one of the largest actuarial teams in China with leading technical expertise. In addition to conventional reserving, our actuary team also plays an integral role in product pricing, portfolio analysis and risk management, which demonstrates our comprehensive competitive advantages and significant overall strength. We have a strong and professional reinsurance claims management team consisting of 16 professionals with an average working experience of 16 years, and six of them have over 20 years of experience.

We have a strong platform of data resources and strong data analytical capabilities. We believe we have the largest actuarial database in the PRC P&C reinsurance market. Our extensive data resources primarily benefitted from (i) our decades of operating experience in the PRC; (ii) our comprehensive client and business coverage within the industry; (iii) our in-depth data cooperation with clients, which further expands the breadth and depth of our data resources, and (iv) our cooperation with government agencies, such as China Meteorological Administration on catastrophe risks related researches. Leveraging our platform of data resources and strong data analysis team, we set up a P&C insurance data analysis centre in May 2013 that provides risk analysis and public services for the entire P&C insurance industry in the PRC. In September 2013, we published the industry's first set of P&C insurance exposure curves, which provide an important risk reference standard that reflects the risk characteristics of the PRC P&C insurance market for the P&C product pricing. Our strong data analytical capabilities have enabled us to enjoy a significant competitive advantage in underwriting and pricing and to provide our clients with high value-added services.

We possess technical expertise and capabilities that we believe are internationally competitive, and we are dedicated to enhancing our overall competitiveness. We have developed and adopted our proprietary economic capital model, and significantly improved our risk management and business management capabilities by applying economic capital model in underwriting management, retrocession efficiency assessment and RAROC performance management. We have also developed and implemented our proprietary core analysis system (REAPS), with analytic techniques and tools in line with international standards. In addition, we introduced both AIR and RMS catastrophe models and cooperated with RMS to upgrade its RMS China typhoon model by leveraging our data advantage and in-depth understanding of the PRC market. We have China's first RMS Certified Catastrophe Risk Analyst and first AIR Institutes' Certified Catastrophe Modeler. We also regularly hold reinsurance market and actuarial modelling seminars, which help enhance our reputation and influence in technical expertise in the industry.

We underwrite P&C reinsurance business through a variety of types of reinsurance. In terms of type of reinsurance arrangement, 98.9% of the reinsurance premium income of our domestic P&C reinsurance business in 2014 was from treaty reinsurance, and the remaining 1.1% was from facultative reinsurance. Moreover, 97.3% of the reinsurance premium income of our international P&C reinsurance business in 2014 was from treaty reinsurance, and the remaining 2.7% was from facultative reinsurance. In terms of the form of cession, 98.9% of the reinsurance premium income of our domestic P&C reinsurance business in 2014 was written on a proportional basis and the remaining 1.1% was written on a non-proportional basis. In 2014, 72.5% of the reinsurance premium income of our international P&C reinsurance business was written on a proportional basis and the remaining 27.5% was written on a non-proportional basis.

During the Track Record Period, we achieved sound profitability in our P&C reinsurance business segment. In 2012, 2013, 2014 and the first half of 2015, net profit from our P&C reinsurance business segment was RMB1,145 million, RMB1,723 million, RMB2,143 million and RMB2,245 million, respectively. Our P&C reinsurance business segment net profit increased at a CAGR of 36.8% from 2012 to 2014. The combined ratio in 2012, 2013, 2014 and the first half of 2015 was 99.04%, 98.56%, 98.03% and 98.00%, respectively. The weighted average return on equity during the same periods was 11.42%, 15.34%, 15.94% and 13.99% (not annualised), respectively.

Along with the rapid growth in our business, we maintain a strong financial position, as reflected in our ratings by international rating agencies. As at 30 June 2015, China Re P&C's solvency margin ratio was 290% under existing solvency regulations in the PRC. In 2014, China Re P&C maintained the rating of "A" with a stable outlook in financial strength rating and rating of "a" with a stable outlook in issuer credit rating by A.M. Best. In addition, in 2014, China Re P&C was rated by Standard & Poor's for the first time and received the rating of "A+" with a stable outlook both in financial strength and issuer credit rating for long-term insurance companies. We believe such ratings reflect our robust financial strength and solid risk management capabilities, and position us well for the sustainable development of our P&C reinsurance business.

Domestic P&C Reinsurance Business

Our domestic P&C reinsurance business has decades of operating history. We operate our domestic P&C reinsurance business through our wholly-owned subsidiary China Re P&C. Founded on 15 December 2003 and headquartered in Beijing with branches in Shanghai and Shenzhen, China Re P&C is the largest specialised P&C reinsurance company in the PRC. The reinsurance premium income from our domestic P&C reinsurance business in 2012, 2013, 2014 and the first half of 2015 was RMB24,122 million, RMB28,422 million, RMB29,296 million and RMB13,338 million, respectively, accounting for 92.0%, 94.5%, 94.1% and 90.0%, respectively, of the reinsurance premium income from our P&C reinsurance business during the same periods. The expense ratio of our domestic P&C reinsurance business in 2012, 2013, 2014 and the first half of 2015 was 42.02%, 39.47%, 35.34% and 36.27%, respectively, and the loss ratio during the same periods was 55.18%, 60.08%, 63.99% and 62.68%, respectively. The combined ratio during the same periods was 97.20%, 99.55%, 99.33% and 98.95%, respectively.

We ranked first with a Market Share in terms of Premiums Ceded of 33.1% in the PRC P&C reinsurance market in 2013. Leveraging our market leadership in the PRC P&C reinsurance industry, we are the lead reinsurer in most of our reinsurance treaties in the PRC. As at the Latest Practicable Date, of all the 222, 256, 253 and 257 new treaties entered into by China Re P&C in 2012, 2013 and 2014 and the first half of 2015, respectively, China Re P&C was the lead reinsurer in 61, 92, 87 and 79 of such treaties, respectively. When acting as the lead reinsurer, we negotiate and design reinsurance solutions jointly with ceding companies, which enables us to enjoy more competitive advantages in treaty terms and pricing compared to the following reinsurers. The number of reinsurance treaties in which we were the lead reinsurer is a testament to our strong underwriting capabilities and wide client recognition.

In terms of type of reinsurance arrangement and form of cession, our domestic P&C reinsurance business primarily consists of treaty reinsurance and proportional reinsurance, generally in line with the nature of business in the PRC reinsurance market.

The following table sets forth the reinsurance premium income by type of reinsurance arrangement in our domestic P&C reinsurance business during the Track Record Period:

	For the year ended 31 December						**For the six months ended 30 June**	
	2012		**2013**		**2014**		**2015**	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Treaty	23,839	98.8%	28,114	98.9%	28,988	98.9%	13,233	99.2%
Facultative	283	1.2%	308	1.1%	308	1.1%	105	0.8%
Total	24,122	100.0%	28,422	100.0%	29,296	100.0%	13,338	100.0%

The following table sets forth the reinsurance premium income by form of cession in our domestic P&C reinsurance business during the Track Record Period:

	For the year ended 31 December						**For the six months ended 30 June**	
	2012		**2013**		**2014**		**2015**	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Proportional	23,927	99.2%	28,138	99.0%	28,973	98.9%	13,199	99.0%
Non-proportional	195	0.8%	284	1.0%	323	1.1%	139	1.0%
Total	24,122	100.0%	28,422	100.0%	29,296	100.0%	13,338	100.0%

Taking into consideration the structural characteristics of reinsurance business in the PRC market, we implement a business strategy focusing on treaty and proportional business to help ensure our stable operations and leading position in the PRC reinsurance market, as well as the continued growth along with the overall market. Meanwhile, we identify facultative and non-proportional reinsurance as our strategic growth business, so as to adapt to future structural changes in the PRC reinsurance industry. Our focus is to implement proactive business development strategies while maintaining prudence in risk management, to achieve a relatively rapid growth in scale and to improve business portfolio management in order to reduce business volatility.

Lines of Business

As the largest specialised P&C reinsurance company in the PRC, China Re P&C offers a wide variety of P&C reinsurance coverage catering to the characteristics of the domestic market. Our lines of business cover a wide range of insurance risks in the PRC, including motor, commercial property and household, agricultural, liability and engineering insurance. Motor together with commercial property and household lines of business contributes to the majority of our domestic P&C reinsurance business.

The table below sets forth the reinsurance premium income by line of business in our domestic P&C reinsurance business during the Track Record Period:

	For the year ended 31 December						**For the six months ended 30 June**	
	2012		**2013**		**2014**		**2015**	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Motor	14,701	60.9%	16,998	59.8%	17,491	59.7%	7,308	54.8%
Commercial property and household	3,799	15.7%	4,302	15.1%	4,354	14.9%	2,198	16.5%
Agricultural	1,501	6.2%	2,240	7.9%	3,227	11.0%	1,532	11.5%
Liability	1,352	5.6%	1,602	5.6%	1,455	5.0%	817	6.1%
Engineering	806	3.3%	1,134	4.0%	983	3.4%	554	4.2%
Others[(1)]	1,963	8.3%	2,146	7.6%	1,786	6.0%	929	6.9%
Total	24,122	100.0%	28,422	100.0%	29,296	100.0%	13,338	100.0%

Note:

(1) Others include, among others, cargo, marine hull, specialty, credit and accident insurance.

The following table sets forth the loss ratio by line of business in our domestic P&C reinsurance business during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
Motor	59.09%	59.64%	62.60%	67.06%
Commercial property and household	46.50%	72.34%	73.02%	51.94%
Agricultural	56.87%	65.10%	79.60%	62.77%
Liability	44.70%	48.70%	54.65%	60.79%
Engineering	54.55%	44.05%	51.02%	57.01%
Others[(1)]	47.15%	52.19%	49.22%	52.06%
Loss ratio[(2)]	55.18%	60.08%	63.99%	62.68%

Notes:

(1) Others include, among others, cargo, marine hull, specialty, credit and accident insurance.

(2) Loss ratio refers to the ratio of net incurred loss and claims expenses of P&C reinsurance business to net reinsurance premiums earned (after retrocession).

Set forth below is an overview of our five major lines of business in terms of reinsurance premium income:

Motor Insurance. We provide reinsurance coverage for motor physical damages (including damage of vehicle, theft and robbery) and third-party liability (including motor third-party liability, and passenger liability). In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from domestic motor insurance line was RMB14,701 million, RMB16,998 million, RMB17,491 million and RMB7,308 million, respectively, accounting for 60.9%, 59.8%, 59.7% and 54.8%, respectively, of the reinsurance premium income from our domestic P&C reinsurance business during the same periods.

Commercial Property and Household Insurance. We provide reinsurance coverage for property loss and damage resulting from natural catastrophes such as lightening, typhoon, hail, rainstorm, flood, earthquake, snowstorm, mudslide and landslide as well as property loss and damage resulting from man-made events such as fire, explosion, machinery breakdown, and the subsequent business interruption. We provide reinsurance coverage for loss and damage in houses, internal decoration and facilities, furniture, home appliances and other household articles or third party liabilities that are caused by natural disaster, theft, pipe bursting and other man-made events. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from domestic commercial property and household insurance line was RMB3,799 million, RMB4,302 million, RMB4,354 million and RMB2,198 million, respectively, accounting for 15.7%, 15.1%, 14.9% and 16.5%, respectively, of the reinsurance premium income from our domestic P&C reinsurance business during the same periods.

Agricultural Insurance. We provide reinsurance coverage for loss of crops, forest, and livestocks resulting from natural catastrophes like drought, flooding, fire, hail and windstorm as well as epidemic diseases. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from agricultural insurance line was RMB1,501 million, RMB2,240 million, RMB3,227 million and RMB1,532 million, respectively, accounting for 6.2%, 7.9%, 11.0% and 11.5%, respectively, of the reinsurance premium income from our domestic P&C reinsurance business during the same periods. After CARP commenced its operation on 1 January 2015, we switched from underwriting agricultural reinsurance business on direct basis to primarily through CARP. Please refer to "— CARP" below for details.

Liability Insurance. We provide reinsurance coverage for employers' liability, public liability, product liability and professional indemnity insurance. In 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from domestic liability insurance was RMB1,352 million, RMB1,602 million, RMB1,455 million and RMB817 million, respectively, accounting for 5.6%, 5.6%, 5.0% and 6.1%, respectively, of the reinsurance premium income from our domestic P&C reinsurance business during the same periods.

Engineering Insurance. We provide reinsurance coverage for risks including loss in construction and erection projects resulting from natural catastrophes or accidents, as well as physical damage and bodily injury to third parties in connection with the insured projects. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from engineering insurance line was RMB806 million, RMB1,134 million, RMB983 million and RMB554 million, respectively, accounting for 3.3%, 4.0%, 3.4% and 4.2%, respectively, of the reinsurance premium income from our domestic P&C reinsurance business during the same periods.

CARP

In order to build a stable risk diversification mechanism for the PRC agricultural insurance industry against catastrophe risks, China Re P&C and 23 domestic primary insurance companies with license to conduct agricultural insurance business jointly formed CARP on 21 November 2014 under the guidance of the CIRC. As a dedicated reinsurance mechanism for China's agricultural insurance, CARP is an important part of the catastrophe risk diversification mechanism in the PRC agricultural insurance industry as well as one of the important innovations in PRC agricultural insurance. CARP is committed to effectively integrating agricultural insurance and reinsurance resources, enhancing the underwriting capacity of domestic agricultural reinsurance, providing sustainable and stable reinsurance coverage for agricultural risks, and playing an active role in ensuring the stable operation of China's agricultural insurance system and implementing state policy of strengthening agriculture, benefiting farmers and enriching rural areas. CARP follows the principle of "risk sharing and mutually beneficial cooperation", and each of its member companies is responsible for its own profit and loss and not for the liabilities of other member companies.

CARP commenced its operation on 1 January 2015. According to CARP, the reinsurance premium income from agricultural reinsurance business arranged through CARP is expected to reach RMB3.7 billion in 2015, representing over 50% of expected total reinsurance premium income of China's agricultural reinsurance market in 2015. CARP has become the principal channel for agricultural reinsurance arrangements in the PRC.

China Re P&C performs administrative functions for CARP. China Re P&C provides member companies with professional services including reinsurance planning as well as risk analysis, actuarial pricing and underwriting. China Re P&C is the principal provider of CARP's reinsurance underwriting capacity and has participated in all reinsurance business under CARP, while according to CARP our agricultural reinsurance through CARP is expected to account for approximately 80% of CARP's expected total reinsurance premium income in 2015.

Business Channels

In our domestic P&C reinsurance business, as we have established long-term business relationships with many of our clients, we carry out business primarily on direct basis. We may underwrite a small portion of our business through brokers.

The following table sets forth the reinsurance premium income from our domestic P&C reinsurance business by business channel during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Direct	23,287	96.5%	27,340	96.2%	28,521	97.4%	12,941	97.0%
Brokerage	835	3.5%	1,082	3.8%	775	2.6%	397	3.0%
Total	24,122	100.0%	28,422	100.0%	29,296	100.0%	13,338	100.0%

Clients and Client Service

Clients of our domestic P&C reinsurance business are primarily domestic P&C insurance companies. As at the Latest Practicable Date, our clients included 66 domestic P&C insurance companies, or 93% of all existing P&C insurance companies in the PRC. We have established and endeavoured to strengthen long-term relationships with major domestic P&C insurance companies. In 2014, the reinsurance premium income from the top five clients of our domestic P&C reinsurance business represented 85.8% of the reinsurance premium income from our domestic P&C reinsurance business.

We are committed to improving our client service capabilities and providing client with positive experience. With the assistance from an internationally renowned consulting firm, we have built a client service system as well as its implementation plan catering to the PRC market and client needs. We adhere to a client-oriented principle to provide tailored, value-added services for our clients in areas such as actuarial pricing, product development and capital management to help them achieve their business objectives. We continue our efforts in building platforms that facilitate dialogues for industry leaders, and have held events including China P&C Insurance CEO Roundtable and China P&C Reinsurance Market Seminar. We have established our reputation in the industry through these value-added services for clients and enhanced our interaction and cooperation with clients in areas such as information, products and business innovation. As a result, we have received wide recognition from clients and have improved client loyalty.

International P&C Reinsurance Business

Our international P&C reinsurance business represents business written from ceding companies outside the PRC. We have decades of operating history and have accumulated rich experience. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income of our international P&C reinsurance business was RMB1,576 million, RMB1,164 million, RMB1,357 million and RMB965 million, respectively, accounting for 6.0%, 3.9%, 4.4% and 6.5%, respectively, of the reinsurance premium income from our P&C reinsurance business segment during the same periods. In 2012, 2013, 2014 and the first half of 2015, the expense ratio of our international P&C reinsurance business was 18.89%, 20.94%, 38.12% and 34.54%, respectively, and the loss ratio was 126.43%, 66.71%, 54.50% and 48.71%, respectively, during the same periods. The combined ratio was 145.32%, 87.65%, 92.62% and 83.25%, respectively, during the same periods.

In terms of type of reinsurance arrangement and form of cession, our international P&C reinsurance business primarily consists of treaty reinsurance and proportional reinsurance.

The following table sets forth the reinsurance premium income by type of reinsurance arrangement for our international P&C reinsurance business during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Treaty	1,473	93.5%	1,139	97.8%	1,320	97.3%	916	94.9%
Facultative	103	6.5%	25	2.2%	37	2.7%	49	5.1%
Total	1,576	100.0%	1,164	100.0%	1,357	100.0%	965	100.0%

The following table sets forth the reinsurance premium income by form of cession for our international P&C reinsurance business during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Proportional	1,185	75.2%	808	69.3%	984	72.5%	662	68.6%
Non-proportional	390	24.8%	357	30.7%	373	27.5%	303	31.4%
Total	1,576	100.0%	1,164	100.0%	1,357	100.0%	965	100.0%

Geographic Areas and Lines of Business

Prior to 2010, our international P&C reinsurance business was primarily derived from ceding companies in Asia. In 2010 we obtained rating from A.M. Best, and our international P&C reinsurance business has expanded to developed markets including Europe and the United States. Our international P&C reinsurance business currently covers Europe, Asia, North America, Latin America, Africa and Oceania, with business from Europe, Asia and North America representing the majority of our reinsurance premium income.

The following table sets forth the reinsurance premium income of our international P&C reinsurance business by geographic area during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Europe	422	26.8%	241	20.7%	585	43.1%	410	42.5%
Asia	722	45.8%	662	56.8%	565	41.6%	324	33.6%
North America	334	21.2%	185	15.9%	156	11.5%	183	19.0%
Latin America	53	3.3%	61	5.3%	44	3.2%	36	3.7%
Africa	25	1.6%	11	1.0%	4	0.3%	8	0.8%
Oceania	20	1.3%	4	0.4%	3	0.2%	4	0.4%
Total	1,576	100.0%	1,164	100.0%	1,357	100.0%	965	100.0%

Our international P&C reinsurance business primarily provides reinsurance coverage on non-marine, specialty, liability and motor insurance.

Business Channels and Clients

We operate our international P&C reinsurance business through both brokerage and direct channels. Through brokers, we acquire client resources, maintain client relationships, expand into new markets and receive reinsurance premium income. In return, we pay fees to the brokers. The majority of the brokers we worked with during the Track Record Period are well-established in the industry and have had a long-term business relationship with us. In terms of direct channels, we are dedicated to enhancing our direct business relationships with international clients, and help prospective clients better understand our business philosophy and risk appetite through strategic and other business cooperation. We plan to further strengthen direct relationship with our core clients, so as to capture more business opportunities through direct channels.

The following table sets forth the reinsurance premium income from our international P&C reinsurance by business channel during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Direct	259	16.4%	313	26.9%	491	36.2%	316	32.7%
Brokerage	1,317	83.6%	851	73.1%	866	63.8%	649	67.3%
Total	1,576	100.0%	1,164	100.0%	1,357	100.0%	965	100.0%

The clients of our international P&C reinsurance business include many well-known international insurance companies, and we have also established cooperation with many international insurance and reinsurance companies. As at the Latest Practicable Date, we have established strategic or other bilateral cooperation with international insurance and reinsurance companies such as Catlin (now XL Catlin) and The Toa Reinsurance Co., Ltd. in reinsurance business, information and data sharing, as well as product development.

Lloyd's Business

Our Lloyd's business is conducted through China Re Syndicate 2088, and we are the first PRC company to establish a syndicate at Lloyd's. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our Lloyd's business was RMB476 million, RMB473 million, RMB476 million and RMB483 million, respectively, accounting for 1.8%, 1.6%, 1.5% and 3.3%, respectively, of the reinsurance premium income from our P&C reinsurance business during the same periods. In 2012, 2013, 2014 and the first half of 2015, the expense ratio of our Lloyd's business was 35.20%, 19.94%, 21.89% and 54.78%, respectively, the loss ratio was 86.25%, 81.70%, 73.32% and 57.58%, respectively, and the combined ratio was 121.45%, 101.64%, 95.21% and 112.36%, respectively, during the same periods.

In October 2011, we set up China Re UK, our wholly-owned subsidiary in the UK, through which we obtained Lloyd's membership. In December 2011 we established China Re Syndicate 2088, a special-purpose syndicate at Lloyd's. In November 2014, we converted China Re Syndicate 2088 from a special-purpose syndicate to an independent syndicate and began underwriting business under the China Re brand. China Re Syndicate 2088 aims to become our underwriting platform at Lloyd's, take advantage of the strong distribution channels of Lloyd's, and gradually increase the influence of the China Re brand. We also aim to build China Re Syndicate 2088 as a platform for acquiring international technical expertise, cultivating talent and providing "incubation" functions for other future overseas operations, and to leverage international technical expertise and market experience to enhance the competitiveness of our domestic P&C reinsurance business.

During the Track Record Period, we provided guarantee to China Re Syndicate 2088 via China Re UK Ltd., and engaged Catlin (now XL Catlin) as the managing agent to operate China Re Syndicate 2088. In 2012, 2013 and 2014, our annual stamp capacity at Lloyd's was GBP50 million. According to the quota share reinsurance treaty with Catlin Syndicate 2003, China Re Syndicate 2088 accepted a certain proportion of the reinsurance premium from all business underwritten by Catlin Syndicate 2003 during the Track Record Period. In September 2014, we established China Re Underwriting, which is expected to replace Catlin as the managing agent for China Re Syndicate 2088 in the future after it meets Lloyd's requirements on managing agents.

CNIP Business

CNIP was founded in May 1999 to pool domestic nuclear insurance underwriting capacity to serve the PRC nuclear power industry as well as to establish a nuclear insurance mechanism in line with international practices. CNIP, jointly formed by China Reinsurance Company Ltd. (our predecessor), the People's Insurance Company of China, China Pacific Insurance Co., Ltd., and Ping An Insurance Company of China, Ltd., has become an important platform for the PRC insurance industry to support the PRC Government's strategy for nuclear power development. As at the Latest Practicable Date, CNIP had 25 members, all of which were insurance and reinsurance companies in the PRC (including some international insurance and reinsurance companies' entities in the PRC).

Our CNIP business includes nuclear material damage insurance, nuclear third-party liability insurance, nuclear material transportation liability insurance and business interruption insurance in relation to civil nuclear facilities in and outside China. CNIP members provide nuclear insurance underwriting capacity in proportion to their net assets and bear joint and several liabilities for the nuclear insurance business they participated in. We set a net maximum retention amount for each type of nuclear insurance business we underwrite. As at the Latest Practicable Date, our domestic nuclear insurance business covered 29 nuclear power units in all 13 nuclear power plants operated for commercial purpose in China and also the storage, disposal and reprocessing facilities of spent fuels and nuclear wastes. Our overseas nuclear insurance business covers approximately 70% of the global commercial civil nuclear facilities located in 23 countries and regions in Europe, Asia, Americas and Africa.

Our Chairman, Mr. Li Peiyu, serves as Chairman of CNIP, and we are the management institution for CNIP. The Group Company, together with our subsidiaries China Re P&C and China Continent Insurance, underwrite global nuclear insurance business via CNIP.

CNIP has in place a comprehensive risk management system, including reviewing members' qualifications, financial position and underwriting capacities. CNIP has established a dedicated risk management team, and formulated differentiated underwriting strategies and capacities for different businesses. CNIP participated in the top-down design of the international nuclear risk management framework, and built a long-term, stable and close cooperative relationship with international nuclear insurance pool systems. CNIP conducted on-site pre-operation surveys and periodic surveys of the insured objects in both the PRC and abroad.

In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our CNIP business was RMB51 million, RMB49 million, RMB55 million and RMB27 million, respectively, accounting for 0.2% of the reinsurance premium income from our P&C reinsurance business during each of these periods. As we perform administrative functions for CNIP, the Group Company also charges the CNIP members a small amount of management fee, which is included in the "Others" segment in our financial statements.

Legacy P&C Reinsurance Business of the Group Company

The legacy P&C reinsurance business of the Group Company primarily consists of the business historically underwritten by the Group Company and currently operated by China Re P&C on behalf of the Group Company. Such legacy P&C reinsurance business consists of the international business by The People's Insurance Company of China before 1996, certain domestic commercial business underwritten and business from the international market during the period from 1996 to 2002, certain compulsory reinsurance underwritten during the period from 2002 to 2005, and certain commercial business (including whole account quota-share) underwritten during the period from 2005 to 2009. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from such legacy P&C reinsurance business was RMB14 million, RMB7 million, RMB-27 million and RMB5 million, respectively. During the Track Record Period, our legacy P&C reinsurance business did not generate any new business.

Underwriting and Pricing

Underwriting

We have established a dedicated, efficient and experienced team of underwriting professionals over the years. We have also established a set of comprehensive, prudent and efficient underwriting procedures, principles and management systems and provided comprehensive quantitative support for underwriting through sophisticated models and tools. We are committed to improving our expertise and underwriting capacities to help ensure our long-term and steady growth with effective risk control.

We have a strong and specialised P&C reinsurance underwriting team. As at 30 June 2015, our underwriting team for P&C reinsurance had 74 professionals, consisting of 54 people specialised in underwriting domestic business and 20 people specialised in underwriting international business. Our underwriting team has extensive professional skills and expertise, with a deep understanding of the insurance market. The members of the team have on average approximately 11 years of working experience, including experts in commercial property, engineering, marine and energy, aviation and aerospace, as well as liability insurance. The majority of our senior underwriters have 15 to 20 years of relevant experience, including some with over 20 years of overseas working experience. We have also hired foreign senior underwriters to enhance our underwriting capabilities.

We have established a set of well-designed and tested underwriting systems and have developed our underwriting principles, subject to annual review, based on our risk appetite, risk tolerance, market cycle and required Shareholders' returns to optimise our business portfolio. Under our underwriting principles, we take into account the following key factors, among others, for underwriting and risk assessment:

- to assess the client's strategy, business management strength, underwriting experience and risk appetite;
- to assess the client's historical performance;
- to analyse the risks of different lines of business;
- to analyse profitability and price risks using our pricing models; and
- to underwrite with proper terms and conditions.

We have established a comprehensive underwriting procedure, primarily including underwriting analysis, underwriting approval as well as verification and confirmation.

In underwriting analysis, we assess the business risk and prepare underwriting/renewal proposal. We also conduct multi-dimensional underwriting pricing analysis and risk evaluation, including client credential review, risk assessment and quantitative analysis. Please refer to "— Actuarial Pricing and Risk Analysis" for details.

In underwriting approval, we have implemented a rigorous tiered authorisation management mechanism, pursuant to which underwriters are only permitted to underwrite within his/her authority. In addition, the authorisation mechanism varies based on business lines. For domestic reinsurance business, we have implemented a three-tiered authorisation management system, under which facultative reinsurance business is managed by five specialised underwriting teams, namely, property, engineering, marine, specialty and liability insurance. For international business, we have implemented four-tiered and five-tiered authorisation mechanisms for treaty reinsurance and facultative reinsurance, respectively. At the verification and confirmation stage, the detailed terms are verified carefully to ensure that they are consistent with the terms finalised through negotiation.

We have adopted a regular risk monitoring process for our business. For the written business, we analyse the business data quarterly to monitor the latest development and trends. In addition, for major claims, we collect and analyse the relevant loss information to understand the latest development of the claims in a timely manner.

Actuarial Pricing and Risk Analysis

We highly value actuarial work in managing our reinsurance business and we also emphasise and enhance the core supporting role of actuarial pricing analysis in underwriting and risk management. We aim to combine actuarial work with our business experience, and provide quantitative support for our underwriting decisions through objective and independent actuarial analysis so as to achieve business growth while controlling risks.

We have a strong and specialised actuarial team with extensive expertise and experience for P&C reinsurance. As at 30 June 2015, our actuarial team for P&C reinsurance had 19 professionals, with over one third having over 10 years of experience in actuarial work and six of them having overseas working experience. Nine of them have received actuary certifications from Society of Actuaries, Institute and Faculty of Actuaries and China Association of Actuaries. We have China's first RMS Certified Catastrophe Risk Analyst (CCRA) and first AIR Institutes' Certified Catastrophe Modeler (CCM). Our actuarial team have provided strong technical support and high-quality consulting service for our clients in key areas such as actuarial pricing, product research and development and capital modelling.

We have robust quantitative analysis platform and a variety of pricing analysis tools. We have designed and developed our proprietary REAPS system, our core analysis system, and integrated a series of actuarial methods that were widely used in the international market. The REAPS system includes major functional modules such as pricing analysis, retrocession analysis, business portfolio management and reserving, which help us integrate underwriting and risk management. The REAPS system has been adopted by our actuarial and underwriting team, and provides key quantitative analysis to further support our underwriting while promoting analysis techniques. In connection with REAPS, we have also developed other analytical tools such as treaty IBNR Management system, pricing model for facultative earthquake and typhoon insurance and risk pricing model for agricultural insurance. We are also gradually integrating these tools with REAPS, so as to build an integrated, standardised and automated analysis platform that supports business management. In pricing, based on our empirical experience and market risk benchmark, we conduct analysis taking into account factors including the ceding company's claims record, risk distribution, development trends and market-level risk pricing. We continue to monitor and evaluate each treaty's profitability and exposure by regularly analysing the business quality and development, and improve our pricing parameters and assumptions via retrospective analysis. For international reinsurance business, in addition to following our pricing principles, we adopt differentiated pricing strategies for different regions, so as to meet our different requirements on profitability and risk diversification for business portfolios.

We have set up a rigorous risk management system, to help ensure our underwriting risks are controlled within an acceptable range. We have adopted a management system that covers the full range of operations and links underwriting pricing and risk management. With the assistance of REAPS and the economic capital model, we are able to reflect the risk related to each transaction in the overall risk portfolio analysis, and form a comprehensive and accurate overall business risk assessment so as to formulate the corresponding risk control and risk transfer strategy according to our risk appetite and tolerance. We have also set up a risk-based business management indicator system (such as RAROC), which helps us allocate our overall profitability targets to each business unit through proper allocation of the capital cost and other expenses. Such indicator system guides our underwriting pricing and performance evaluation and forms the basis of a fine-tuned risk control and management system. We also pay special attention to single risk accumulation and catastrophe risk accumulation control, and regularly conduct assessment monitoring for relevant risk accumulation indicators. Among other things, we monitor catastrophe PML indicators by using RMS and AIR models. Accordingly, we make timely adjustment of underwriting and retrocession strategies to manage risk accumulation. During our underwriting, we take advantage of our role as the lead reinsurer to control reinsurance risks. In addition, we adopt catastrophe event limits and sliding scale commission arrangements to control and mitigate our underlying risks.

Sliding scale commission is a commission adjustment mechanism under reinsurance contracts whereby the actual commission paid by a reinsurer to a ceding company varies inversely with the loss ratio of the ceded business, typically subject to maximum and minimum percentages stipulated in respective reinsurance contracts. Under a reinsurance contract with a sliding scale commission arrangement, in exchange for providing limited downside protection to the reinsurer in the event the loss ratio of the ceded business is higher than expected, the ceding company typically receives an upside benefit if the business performs better than expected. This sliding scale commission feature provides incentives designed to align both parties' interests by encouraging a ceding company to underwrite its business, manage claims and control losses in a disciplined manner and attempts to preserve the business and profit expectations of both parties within the limited range of the slide.

In connection with a sliding scale commission arrangement, an ultimate loss ratio is estimated based on historical experience, and such estimated ultimate loss ratio will then be used to determine the provisional commission. In determining the provisional commission, factors such as market conditions, historical experience under similar contracts and the intention of the contracting parties will also be taken into consideration. Upon the setting of the estimated ultimate loss ratio and the provisional commission, the reinsurer will pay the provisional commission to the ceding company before each review date set forth in the reinsurance contract. On each review date, both parties will review the actual loss ratio of the contract. If the actual loss ratio is lower than the estimated ultimate loss ratio, the reinsurer is required to pay the ceding company additional commission. Conversely, if the actual loss ratio is higher than the estimated ultimate loss ratio, the reinsurer would receive commission recoveries from the ceding company. The amount of additional commissions the reinsurer is required to pay or commission recoveries the reinsurer would receive is calculated from the sliding scale commission table set forth in the reinsurance contract by using the actual loss ratio. Through such sliding scale commission arrangement, the expense ratio will move inversely with the actual loss ratio of the underwritten business (subject to maximum and minimum loss ratios specified in the sliding scale commission table), which can help both the primary insurer and the reinsurer to align their interests and reduce the volatility of the business underwritten.

During the Track Record Period, in terms of GWPs, the majority of our domestic P&C reinsurance business contained sliding scale commission arrangements. To our knowledge, sliding scale commission arrangements are a common commercial feature of reinsurance contracts in the domestic P&C reinsurance market.

We also transfer our earthquake catastrophe risk to overseas capital markets through the use of catastrophe bonds. A catastrophe bond is a catastrophe risk linked security that transfers a specified set of catastrophe risks from the sponsor of the bond to the bond investors. The sponsor of a catastrophe bond cedes or retrocedes part of its underwritten catastrophe risk to an independent third-party institution through cession or retrocession arrangements. Such independent institution, as the issuer of the catastrophe bond, issues the catastrophe bond in the overseas capital markets. The principal amount raised from the catastrophe bond investors is used to provide fully secured coverage for the catastrophe risk. During the period when the catastrophe bond is outstanding, if the catastrophe event specified in the terms of the bonds occurs, and the losses incurred in such catastrophe event reach or exceed the loss limit specified in the cession or retrocession arrangements, the issuer will use the proceeds raised from the catastrophe bonds to settle the claims of losses from the sponsor in accordance with the terms of the cession or retrocession arrangements. During the period when the catastrophe bond is outstanding, if the specified catastrophe event does not occur, or if the specified catastrophe event occurs but the losses incurred in such catastrophe event do not reach the loss limit specified in the cession or retrocession arrangements, the issuer will pay the principal and interest of the bonds to the catastrophe bond investors on the scheduled payment date in accordance with the terms of the bond agreement. In July 2015, through an independent special purpose vehicle, we successfully sponsored the issuance, in the overseas markets, of the first catastrophe bond linked to China earthquake risks, in accordance with prevailing international practices. Through the use of the catastrophe bond, we transferred part of the China earthquake catastrophe risks underwritten by us to overseas capital markets and hence reduced our catastrophe risk exposure.

The following table sets forth the projected single-event net PMLs of our domestic P&C reinsurance business as at 1 January 2015 due to risks arising from some of the most severe natural catastrophes:

Region	Peril	Net PML[(1)]	% of net assets of the Group as at 31 December 2014
		(RMB in millions, except percentages)	
the PRC	Earthquake (one in 250 years)	4,584	8.5%
the PRC	Earthquake (one in 100 years)	263	0.5%
the PRC	Typhoon (one in 250 years)	1,315	2.4%
the PRC	Typhoon (one in 100 years)	662	1.2%

Note:

(1) Based on estimates via RMS models and net of sliding scale commission adjustments and recoveries from catastrophe excess of loss retrocession.

The following table sets forth the projected single-event net PMLs of our international P&C reinsurance business as at 1 January 2015 due to risks arising from some of the most severe natural catastrophes:

Region	Peril	Net PML[(1)]	% of net assets of the Group as at 31 December 2014
		(US$ in millions, except percentages)	
North America (including the United States, Canada and the Caribbean)	Windstorm (one in 100 years)	51.4	0.6%
North America (including the United States, Canada and the Caribbean)	Earthquake (one in 250 years)	18.5	0.2%
Europe	Windstorm (one in 100 years)	12.5	0.1%
Europe	Earthquake (one in 250 years)	13.5	0.2%
Japan	Windstorm (one in 100 years)	12.5	0.1%
Japan	Earthquake (one in 250 years)	12.5	0.1%
Asia (excluding Japan)	Windstorm (one in 100 years)	16.0	0.2%
Asia (excluding Japan)	Earthquake (one in 250 years)	20.0	0.2%

Note:

(1) Based on estimates via RMS models and net of recoveries from catastrophe excess of loss retrocession.

Claims Management

We have set up a sound claims management procedure to provide professional, timely and effective claims services to our clients as well as serve our business development. We have in place rigorous claim verification procedures and have established a three-tiered authorisation system comprising underwriting units, claims management department and the underwriting and claims committee. Settlement of all claims requires proper authorisation and peer review.

We have established a dedicated claims management team. Nine of them are for domestic business and seven for international business. They have average working experience of 16 years, with six of them having working experience of over 20 years. Our claims settlement personnel have diverse professional background, covering engineering, machinery, law and agriculture, among others. They also have extensive experience in areas such as primary insurance claims, reinsurance underwriting or claims management for international reinsurance companies.

We endeavour to leverage our advantages in professional and technical expertise to provide clients with high-quality services. We send claims experts to assist ceding companies in the claims handling with ceding companies, and provide technical support to ensure that the claims are handled in accordance with relevant laws and regulations, insurance policies, reinsurance contracts and market practices. We also provide our clients with trainings on claims handling to share our techniques and experience.

We utilise external resources, including professional agencies and external specialists, for claims involving certain industries or highly specialised fields. Such cooperation helps us enhance our technical expertise, so as to improve our services to clients.

We also establish effective collaborations between claims and underwriting teams. Our claims settlement team is responsible for analysing major claims, communicating with the underwriting team on issues spotted, and making recommendations on business selection and terms design in order to improve the quality of our business. In addition, during claims settlement, we emphasise the collection of relevant data on catastrophe losses, so as to better provide data support for underwriting and pricing in the future.

Retention and Retrocession

Retention

We manage our retention to meet our operational needs and the CIRC's regulatory requirements. We determine the retention amount and the proportion of risk retrocession for different types of contracts and risks based on laws and regulations, our business strategy and risk appetite, solvency ratio, risk characteristics and our operational needs.

Retrocession

We retrocede a portion of our risks to reduce our risk exposure, protect our capital and maintain the stability of our operations. We retrocede on both proportional and non-proportional basis and prudently manage our net risk exposure. In recent years, we have built a sophisticated retrocession evaluation system to guide our retrocession arrangement. The system primarily covers the following aspects:

- to assess and determine respective retrocession needs based on the risk appetite of China Re P&C and the Group Company;
- to evaluate the retrocession efficiency by using our proprietary economic capital model; and
- to determine whether to purchase retrocession coverage based on the applicable solvency indicators and rating requirements.

We select retrocessionaires in a prudent manner. The major factors we consider include the retrocessionaire's creditworthiness, qualification, capital strength, relationship with us and the CIRC's regulatory requirements on retrocessionaires. With regard to the retrocessionaires' creditworthiness, we primarily rely on their ratings from international credit rating agencies while taking into account their capital strength. We review the retrocessionaires' credit status every year, and such credit status covers such information as geographic location, rating, paid-in capital, account receivables and categorisation. In 2012, 2013, 2014 and the first half of 2015, premiums retroceded by our P&C reinsurance business segment accounted for 2.3%, 1.6%, 2.0% and 2.1%, respectively, of our total reinsurance premium income from our P&C reinsurance business, respectively. In 2012, 2013, 2014 and the first half of 2015, the total premiums retroceded to our top three retrocessionaires accounted for 42.3%, 24.0%, 33.5% and 44.6% of the premiums retroceded for our domestic P&C reinsurance business during the same periods, respectively. The total premiums retroceded for our top three retrocessionaires accounted for 34.5%, 97.1%, 70.8% and 80.5% of the total premiums retroceded for our international P&C reinsurance business during the same periods, respectively.

The following table sets forth the reinsurance premium income, premiums retroceded and retrocession ratio of our P&C reinsurance business during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
	(RMB in millions, except percentages)			
Reinsurance premium income	26,210	30,086	31,135	14,813
Premiums retroceded............................	593	488	631	316
Retrocession ratio................................	2.3%	1.6%	2.0%	2.1%

To improve the efficiency of capital deployment, China Re P&C may retrocede part of its P&C reinsurance business to the Group Company from time to time.

Reserves

We evaluate the reserves of our P&C reinsurance business in accordance with the Measures for the Management of Reserves for Non-life Insurance Business of Insurance Companies (保險公司非壽險業務準備金管理辦法) and Detailed Rules for the Implementation of the Measures for the Administration of the Reserves of Non-life Insurance Business of Insurance Companies (for Trial Implementation) (保險公司非壽險業務準備金管理辦法實施細則(試行)) and in compliance with the non-life insurance actuarial valuation principles and methods.

The reserves for P&C reinsurance contracts are calculated based on the expected future net cash outflow generated by the reinsurance contracts, taking into consideration the time value of money and explicit margins for future uncertainty. The future cash outflow mainly includes the indemnity to be paid to the reinsured, surrender value of insurance contracts, loss adjustment expense, maintenance expense, adjusted commission and profit commission. The future cash inflow mainly refers to the income from future premiums, future recourse fees, receivables for subrogation and salvage of insured properties as deduction from claim payment, as well as cash inflow generated by adjusted commission. The cash flow generated by a reinsurance contract and its related retrocession contracts should be estimated separately.

When evaluating reserves, we segment our reinsurance obligations into homogeneous risk groups. The reserve is estimated separately for proportional contracts, non-proportional contracts and facultative reinsurance contracts according to characteristics of P&C reinsurance business. For different types of business, the claim reserves and unearned premium reserves are estimated separately for different lines of business.

As a reinsurer, we do not have the information about accident year basis for proportional business, so we evaluate our reserves on underwriting year basis for proportional business. In respect of non-proportional contract and facultative reinsurance business, our evaluation is based on both accident year and underwriting year, and select accident year-based evaluation result as the final results.

Reserves for P&C reinsurance contracts include both claim reserves and unearned premium reserves.

Claim Reserves

Claim reserves are the reserves that we, as a P&C reinsurance underwriter, establish on the valuation date for P&C insurance claims which have occurred but not yet settled. Claim reserves include incurred case outstanding, incurred but not reported (IBNR) claim reserves and loss adjustment expenses reserves. Claim reserves are measured and determined on the basis of appropriate actuarial methods and models, historical claim payment experience and future trends, and actuarial assumptions.

When our cedants claim against us, the claims amount paid or expected to be paid by our P&C reinsurance business is known as indemnity, while the expenses incurred for the investigation, resolution and settlement of these claims are named loss adjustment expenses.

Reserves for incurred case outstanding are the reserves provided for claims cases for which the insurance accident has occurred and claims have been made against us but have not been settled yet. As a P&C reinsurance company, we use the same amount of incurred case outstanding estimated by our ceding companies as our incurred case outstanding.

IBNR reserves are the reserves provided for claim cases for which the insurance accident has occurred but claims have not been made against us. In general, they include the possible losses from claims which have incurred but not yet been reported, the possible losses from cases which have incurred and been reported, but not yet been recorded, the losses from cases which have been recorded, but the relevant losses are insufficient or too high and need further adjustment, and the possible losses for reopened cases which have closed. We calculate the IBNR according to the nature and distribution of P&C reinsurance risks, claims development patterns, empirical data and other related factors, and use the chain ladder method, B-F method and the loss ratio method based on a reasonable estimate of ultimate claim amounts.

Loss adjustment expenses reserves are the reserve provided for the expenses that will possibly incurred by the claims cases that are not yet closed. Among them, the expense that are provided for the services from experts and lawyers and expenses for damage inspections, etc. that are directly incurred by specific claims cases are allocated loss adjustment expenses (ALAE) reserves, and the amounts provided for expenses not directly incurred by specific claims cases are unallocated loss adjustment expenses reserves (ULAE). As a reinsurer, our ALAE are estimated together with the unpaid loss reserve, and ULAE reserves are estimated in the principle of pro rata distribution.

Evaluation of claim reserves is performed under the principle of “Best Estimate”. The best estimate is the average of the outcomes of all possible scenarios, weighted according to their respective probabilities. We then consider the influence from risk margin and time value of money.

Unearned Premium Reserves

The unearned premium reserves refer to reserves that we, as a P&C reinsurer, provide on the reserve evaluation date for unexpired reinsurance obligations. Premium deficiency reserves are established when the present value of expected future losses and expenses exceeds the present value of expected future premiums and existing reserves. We calculate the unearned premium reserves using subtraction method (namely total premiums minus day one expenses), and based on the proportion of the unearned part to conduct adequacy test.

Day one expenses should be limited to the incremental costs of issuing (that is, selling, underwriting and initiating) an insurance contract and should not include other direct costs. The incremental costs are those costs that will not have incurred if the insurance contract is not issued. The day one expenses of a reinsurance contract include the prepaid commission, stamp tax on the reinsurance contract and insurance supervision charge.

During our business operation, we evaluate unearned premium reserves mainly through the following methods:

- Proportional contract. We use the 1/8 method for the provision of the unearned premium reserves on a contract-by-contract basis, assuming that the insurance period of the proportional contract is one year. In particular, the insurance period of proportional cargo is presumed to be three months.

- Non-proportional contract and facultative reinsurance business. The unearned premium reserves are estimated with the 1/365 method on a policy-by-policy basis.

Adequacy tests on the unearned premium reserves are carried out by comparing the value obtained through the methods above and the sum of discounted future cash flows and the corresponding risk margin. If the latter is bigger than the former, the difference is taken as premium deficiency reserves and will be added to the unearned premium reserves. The future net cash outflow under a reinsurance contract's adequacy test consists of the indemnity, loss adjustment expenses, maintenance expenses, adjustment commission and profit commission expected to be paid in the future. When the premiums are sufficient, the difference between the unearned premium reserves and the future indemnity liability, the future expenses and risk margin are stated as residual margin. When premiums are insufficient, the residual margin is nil. Future cash flows which related to reinsurance contract, such as adjustment commission and profit commission, shall be included in the adequacy test on unearned premium reserves.

LIFE AND HEALTH REINSURANCE BUSINESS

Overview

Our life and health reinsurance business segment comprises the life and health reinsurance businesses operated by China Re Life, our wholly-owned subsidiary, and the legacy life and health reinsurance businesses retained by the Group Company. In 2014, the reinsurance premium income of our life and health reinsurance business (before inter-segment eliminations) represented 28.6% of the Group's GWPs. In 2012, 2013, 2014 and the first half of 2015, China Re Life recorded reinsurance premium income of RMB15,903 million, RMB18,261 million, RMB20,957 million and RMB15,479 million, respectively, representing over 99.0% of the total reinsurance premium income of our life and health reinsurance segment during each such period. Given the business significance and the operational independence of China Re Life, references to our life and health reinsurance business in this section shall be to the business of China Re Life unless otherwise stated.

We provide comprehensive coverage and tailored reinsurance solutions to our clients. Our domestic business includes protection-type reinsurance, savings-type reinsurance and financial reinsurance. Our protection-type reinsurance business covers a wide range of insurance risks such as mortality, morbidity, surrender and catastrophe risks, provides services to the government, companies and individuals, fulfils the functions of risk management and expertise transfer, and facilitates the healthy growth, transformation and upgrade of the PRC insurance industry. Our savings-type reinsurance business offers integrated solutions for our clients to manage their market risk and credit risk, helping life and health insurance companies perform their wealth management function. Our financial reinsurance business provides primary insurance companies with capital management tools, effectively eases their solvency pressures and supports the rapid development of the PRC life and health insurance market.

We develop our life and health reinsurance business under the principle of "increasing profitability and value while focusing on innovation and services", with a view towards balanced growth in both our strategic core business, namely, the domestic protection-type reinsurance and cross-border RMB reinsurance, and our tactical business, namely, the domestic financial reinsurance and domestic savings-type reinsurance. We have been reinforcing our leading market position in our core business areas by capitalising on our positive brand image, broad client base, extensive local market data, strong technical expertise, solid capital position and excellent international ratings. According to the data published by the CIRC, in each year from 2003 to 2012, China Re Life consistently ranked first with a Market Share in terms of Premiums Ceded of over 50% in the PRC life and health reinsurance market. Since 2013, financial reinsurance in response to contingent demand has increased significantly. Taking into account our profitability and solvency requirement, through case-by-case analysis of the market demand of financial reinsurance, we tactically underwrote businesses with higher profitability and better capital efficiency, as opposed to those financial reinsurance business with large premium volume but low profitability. As a result, we ranked second with a Market Share in terms of Premiums Ceded of 37.7%, and ranked first when financial reinsurance was excluded, in the PRC life and health reinsurance market in 2013.

In addition to consolidating our leading position in the domestic life and health reinsurance market, we continue to explore overseas business opportunities to achieve balanced growth in both domestic and overseas businesses. In light of the acceleration of RMB internationalisation and the increasing demand for RMB-denominated insurance policies, we pioneered the launching of cross-border RMB reinsurance business in Hong Kong in 2010. Over the years, we have established our dominant position in cross-border RMB reinsurance business in such markets as Hong Kong, Macau, Singapore and Taiwan, expanding our sources of life and health reinsurance premium income. In 2014, our TWPs from newly reinsured RMB-denominated individual insurance policies from Hong Kong accounted for approximately 42% of the total new business premiums of RMB-denominated individual insurance policies underwritten by the primary insurance companies in Hong Kong.

The table below sets forth the reinsurance premium income of our domestic and overseas life and health reinsurance business during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Domestic	9,366	58.9%	11,309	61.9%	15,003	71.6%	13,528	87.4%
Overseas	6,537	41.1%	6,952	38.1%	5,954	28.4%	1,951	12.6%
Total	15,903	100.0%	18,261	100.0%	20,957	100.0%	15,479	100.0%

The proportion of our overseas business decreased in 2014 and the first half of 2015, which was primarily due to the rapid growth of domestic business and the decrease in the reinsurance premium income of cross-border RMB reinsurance business. In recent years, to respond to the changes in demand for cross-border RMB reinsurance business, we have been actively adjusting our business structure and promoting the development of cross-border RMB reinsurance business for universal life insurance. In 2012, 2013, 2014 and the first half of 2015, the TWPs from our cross-border RMB reinsurance business for universal life insurance (credited to policyholders' deposits and investment contracts liabilities) were RMB1,420 million, RMB3,085 million, RMB1,881 million and RMB2,257 million, respectively. If such premiums were taken into account, our overall TWPs of overseas business for the same periods would be RMB7,957 million, RMB10,037 million, RMB7,835 million and RMB4,208 million, respectively. Except for a relatively large business volume in 2013, our overall overseas business development has been relatively stable during the Track Record Period.

Through several decades of development, we have established solid business relationships with a wide range of clients. As at the Latest Practicable Date, our clients included 70 out of a total of 75 domestic life and health insurance companies, representing a client coverage ratio of 93%. In Hong Kong, we have developed reinsurance business with all life and health insurance companies that offer RMB-denominated insurance policies. The number of our in-force contracts has been growing rapidly, with a CAGR of 25.0% from 2012 to 2014. Moreover, in 2012, 2013, 2014 and the first half of 2015, the in-force contracts in which we acted as the lead reinsurer accounted for 79.3%, 81.8%, 82.2% and 81.8%, respectively, of all our contracts in-force.

We are a key participant in the formulation of the industry standards for the PRC life and health insurance market. We played an active role in the fundamental research and innovation for the industry and assisted the regulatory authorities in formulating industry standards. Commissioned by the CIRC and the Insurance Association of China, we led the formulation of the Critical Illness Definition Guidelines and China Insurance Disability Standard, and participated in the construction of China Life Insurance Mortality Table (2000-2003). In 2011, commissioned by the CIRC, China Association of Actuaries established the Office of Industry Experience Analysis at China Re Life. As a core member of this office, we organised the construction of China Life Insurance Experienced Critical Illness Table (2006-2010) and the third mortality table. As a leading entity or important participant in those projects, we have taken full advantages of our technical strengths in the fundamental research and innovation for the industry, and made significant contributions to the standardisation and sound development of the industry.

We have a high-calibre professional team, industry-leading technical expertise and extensive local data, which provide a solid foundation for our outstanding pricing capabilities and high-quality client services.

- We have established a talented team. As at 30 June 2015, 35 of our staff had actuarial experience for life and health insurance, and various actuarial qualifications such as FSA (Fellow of the Society of Actuaries), FIA (Fellow of the Institute of Actuaries), FIAF (Fellow of the Institute of Actuaries of France) and FCAA (Fellow of the China Association of Actuaries). All of our underwriting and claims assessment team members had a medical academic background or clinical medical experience, with professional qualifications such as FALU (Fellow of the Academy of Life Underwriting) and FLMI (Fellow of the Life

Management Institute). Our client service team consisted of 30 high-quality account managers with qualifications such as actuaries, FLMI (Fellow of the Life Management Institute) and ARA (Associate Reinsurance Administration), in which 23 of them had client service experience of ten years or longer.

- By cultivating the domestic market, we have accumulated a wealth of data and professional experience, which cover all of our business lines including life insurance, health insurance and accident insurance, providing support for multi-dimensional and in-depth analysis. Our professional actuarial capabilities and abundant data resources help us lay the foundation for accurate pricing, and strengthen our core competitiveness in pricing and risk assessment for reinsurance business.

- Our technical expertise and advantages in data accumulation allow us to provide professional and comprehensive services to our clients. We independently developed Electronic Underwriting Manual, Sales Support Rules Engine and Claims Inquiry System to facilitate the business development of primary insurance companies. We provide strong support for our clients through services in areas such as underwriting, claims settlement, product and platform development, facultative reinsurance, and training and seminars. As a result, our client satisfaction and loyalty have steadily improved.

We are committed to the notion that "innovation drives development" and emphasise innovation in the fast-changing market with the endeavour to improve our core technical capabilities. We believe that we developed the first rescue insurance policy in the PRC jointly with one of our clients and designed the first financial reinsurance solution in the PRC market. We also designed the first cross-border RMB reinsurance arrangement. In recent years, we have further improved our innovation and service capabilities, developed a wider range of diversified products to meet various market demands, and continuously explored valuable new businesses with growth potential.

We offer tailored reinsurance solutions to our clients by structuring reinsurance arrangements based on product characteristics, the nature of risks and client needs. We undertake most of our life and health reinsurance business in the form of treaty reinsurance, while providing facultative reinsurance to capture market opportunities and cater to client needs. The table below sets forth our reinsurance premium income by reinsurance arrangement during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Treaty	15,614	98.2%	17,778	97.4%	20,716	98.9%	15,381	99.4%
Facultative	289	1.8%	483	2.6%	241	1.1%	98	0.6%
Total	15,903	100.0%	18,261	100.0%	20,957	100.0%	15,479	100.0%

The overwhelming majority of our reinsurance contracts are in the form of proportional reinsurance, with only a small percentage in the form of non-proportional reinsurance. The table below sets forth our reinsurance premium income by form of reinsurance during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Proportional	15,875	99.8%	18,225	99.8%	20,922	99.8%	15,454	99.8%
Non-proportional	28	0.2%	36	0.2%	35	0.2%	25	0.2%
Total	15,903	100.0%	18,261	100.0%	20,957	100.0%	15,479	100.0%

Benefiting from the healthy development of our business and effective control on risks, our business value has continued to grow while both our net profit and return on equity have rapidly increased. For 2012, 2013, 2014 and the first half of 2015, our life and health reinsurance business (including the Group Company's legacy business) generated net profit of RMB277 million, RMB948 million, RMB1,415 million and RMB2,254 million, respectively, representing a CAGR of 126.0% from 2012 to 2014. For the same periods, our weighted average return on equity was 4.42%, 12.75%, 15.07% and 19.06% (not annualised), respectively. As at 31 December 2014 and 30 June 2015, according to the actuarial consultants' report prepared by Ernst & Young, under the assumption of an 11% risk discount rate, the embedded value of our life and health reinsurance business (including the Group Company's legacy business) was RMB13,783 million and RMB16,232 million, respectively. For the twelve months ended 31 December 2014 and 30 June 2015, our value of one year's new business was RMB643 million and RMB811 million, respectively. Please refer to "Appendix III — Actuarial Consultants' Report" for details.

Along with the rapid growth of our business, we remain strong in our financial position and have received recognition from international rating agencies. As at 30 June 2015, China Re Life's solvency margin ratio was 243% under the existing PRC solvency regime. In 2014, China Re Life maintained a rating of "A" with a stable outlook in financial strength rating and a rating of "a" with a stable outlook in issuer credit rating from A.M. Best. In addition, China Re Life was rated by Standard & Poor's for the first time in 2014, and received the rating of "A+" with a stable outlook in both long-term insurer financial strength rating and issuer credit rating. We believe that such ratings demonstrate our solid financial strength and risk control capabilities, which lays a strong foundation for the healthy and sustainable development of our life and health reinsurance business.

Domestic Life and Health Reinsurance

As the only domestic life and health reinsurer incorporated in the PRC, we have built up a leading position in the domestic life and health reinsurance market, and have established and maintained good business relationships with 70 domestic ceding companies in the PRC. With our in-depth understanding of and insights into the domestic life and health insurance market, coupled with our extensive local market data accumulated over the years, we have built up competitive advantages in underwriting and pricing. Our reinsurance premium income increased rapidly during the Track Record Period. For 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from domestic life and health reinsurance business was RMB9,366 million, RMB11,309 million, RMB15,003 million and RMB13,528 million, respectively, representing a CAGR of 26.6% from 2012 to 2014.

Our domestic life and health reinsurance business lines include: protection-type reinsurance, savings-type reinsurance and financial reinsurance. The table below sets forth China Re Life's reinsurance premium income from domestic life and health reinsurance business by business line during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Domestic protection-type reinsurance	2,494	26.6%	2,698	23.8%	2,877	19.2%	1,664	12.3%
Life	149	1.6%	128	1.1%	186	1.2%	95	0.7%
Health	1,406	15.0%	1,528	13.5%	1,798	12.0%	1,023	7.6%
Accident	939	10.0%	1,042	9.2%	893	6.0%	546	4.0%
Domestic savings-type reinsurance	1,586	16.9%	748	6.6%	671	4.5%	305	2.3%
Life	1,586	16.9%	748	6.6%	671	4.5%	305	2.3%
Domestic financial reinsurance	5,286	56.5%	7,863	69.6%	11,455	76.3%	11,559	85.4%
Life	4,832	51.6%	6,959	61.6%	10,314	68.7%	10,971	81.1%
Health	135	1.5%	563	5.0%	750	5.0%	461	3.4%
Accident	319	3.4%	341	3.0%	391	2.6%	127	0.9%
Total	9,366	100.0%	11,309	100.0%	15,003	100.0%	13,528	100.0%

Domestic Protection-type Reinsurance

Our domestic protection-type reinsurance business provides an effective tool for insurance risk transfer, including the transfer of insurance risks in relation to primary life, health and accident insurance contracts. In 2012, 2013, 2014 and the first half of 2015, for domestic protection-type reinsurance, we recorded reinsurance premium income of RMB2,494 million, RMB2,698 million, RMB2,877 million and RMB1,664 million, respectively, representing a CAGR of 7.4% from 2012 to 2014.

Our domestic protection-type reinsurance business includes long-term and short-term businesses. Our short-term protection-type business includes short-term reinsurance business in which the policy periods of the reinsured primary contracts are less than one year, as well as those business reinsured in the form of YRT. In 2012, 2013, 2014 and the first half of 2015, reinsurance premium income of our short-term protection-type business was RMB2,139 million, RMB2,366 million, RMB2,570 million and RMB1,512 million, respectively, and the combined ratio of such business was 94.1%, 93.4%, 89.7% and 99.4%, respectively. The combined ratio in the first half of 2015 increased significantly, primarily due to a newly concluded reinsurance contract with relatively high new business strain and the impact of the cruise ship sinking in the Yangtze river in early June 2015.

Life Insurance

The life insurance business under our domestic protection-type reinsurance business line is primarily intended to help our clients transfer mortality risk. For 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from such business was RMB149 million, RMB128 million, RMB186 million and RMB95 million, respectively, representing a CAGR of 11.7% from 2012 to 2014.

In recent years, we have been actively developing innovative life insurance products for high net worth individuals. In terms of underwriting, we have promoted innovation and simplified the underwriting process while keeping risks under control so as to promote our business development. In terms of pricing, we have tailored our pricing strategy to various types of businesses and different groups of clients by leveraging our data advantages.

Health Insurance

The health insurance business under our domestic protection-type reinsurance business line primarily provides illness coverage and medical coverage. For 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from this business was RMB1,406 million, RMB1,528 million, RMB1,798 million and RMB1,023 million, respectively, representing a CAGR of 13.1% from 2012 to 2014.

The favourable policies under the New Ten Guidelines are expected to introduce further growth in the health insurance sector and increase the corresponding demand for reinsurance solutions. In particular, for new products and new risks, primary insurance companies will be more reliant on reinsurers for the transfer of technical expertise. As such, we have taken active measures and continued to enhance our technical capabilities to explore market opportunities in areas such as critical illness, cancer and mid- and high-end medical insurance.

In the critical illness and cancer insurance market, we have acquired superior pricing capabilities through our in-depth research into risks and incidence rates relating to critical illness products and our participation in the construction of China Life Insurance Experienced Critical Illness Table (2006-2010). Meanwhile, we strengthened our business development in relation to critical illness and cancer insurance through product and service innovation, and became one of the main domestic reinsurers for these businesses. We co-operated with major primary insurance companies to develop a reinsurance model with large quota share, under which the reinsurer assumes the incidence rate risk while primary insurance companies assume other risks, so as to leverage our advantages in data and pricing as a reinsurer. Since 2014, we have worked with over 20 primary insurance companies in developing new cancer insurance products and provided them with pricing basis and technical support, which helps ensure our leading position in the domestic cancer insurance market.

In terms of mid- and high-end medical insurance, we have made significant breakthroughs. In terms of mid-end medical business, we developed a full set of solutions by capitalising on our strengths in data and market survey. As a result, we have enjoyed advantages over our competitors in this field and expanded our mid-end medical insurance business successfully. In 2015, the MOF, the SAT and the CIRC jointly issued the Notice on Launching the Individual Income Tax Pilot Programme for Commercial Health Insurance. Taking full advantage of our technical expertise in such field, China Re Life took an active part in the CIRC projects in response to the pilot programme and was primarily responsible for the early-phase planning and preliminary pricing of tax-preferred health insurance products. We are also actively preparing ourselves in product coverage design, underwriting rules and pricing, so as to position ourselves to acquire more business in this field. In terms of high-end medical insurance, we have set up pricing assumptions and developed pricing models, designed flexible quotation tools for high-end medical insurance and formulated underwriting rules. Furthermore, we improved our services through cooperation with major third party administrators (TPA) and expanded our business in the high-end medical sector.

To respond to the aging trend in China, we have been paying special attention to long-term care insurance. Taking reference from the experience of overseas long-term care insurance, we have collected and analysed relevant domestic demographic data, established pricing basis and conducted researches on standards of nursing dependency and claims settlement assessment, to actively prepare for the development of such business.

Accident Insurance

For 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from the accident insurance business under our domestic protection-type reinsurance business line remained largely stable and amounted to RMB939 million, RMB1,042 million, RMB893 million and RMB546 million, respectively. We focus on insurance products such as self-driving and public transportation accident insurance and other popular products in the reinsurance market. We also adopt different underwriting and pricing strategies by region and by underlying customer.

In the accident insurance sector, the Insurance Association of China and the Chinese Forensic Medicine Association jointly launched the project to formulate the new version of China Insurance Disability Standard in 2013 and, as the project leader, we were involved in the entire process of the project. In 2015, we organised the accident insurance data analysis for the industry. We calculated the incidence rates of accidents by collecting and analysing the underwriting and claims data of the entire industry in 2014, which provided a basis for the reasonable pricing of accident insurance products. Through our participation in these projects, we have achieved better understandings and insights into the causes of loss and incidence rates of accident insurance, and established our unique technical strengths in the development and pricing of such products.

Domestic Savings-type Reinsurance

Savings-type reinsurance refers to the reinsurance business in which the related primary insurance contracts are embedded with features of wealth management and which entails transfer of investment risks. Our domestic savings-type reinsurance business comprises solely long-term life insurance. The policy periods of the underlying primary contracts are typically no less than five years, with endowment insurance as the principal product type. We leverage our competitive advantages in investment to assume the investment risks in such business, while meeting clients' demand for investment returns through the payment of reinsurance commissions and survival benefits. For 2012, 2013, 2014 and the first half of 2015, our reinsurance premium income from such business was RMB1,586 million, RMB748 million, RMB671 million and RMB305 million, respectively.

With the professional investment support from asset management platform within the Group, we have advantages in reinsurance solutions development and investment capabilities for savings-type reinsurance. We consider such business as our tactical business, and we select proper timing to conduct such business according to the capital market cycles. When the market interest rate is relatively low and is expected to rise, we would consider increasing the business volumes of savings-type reinsurance, locking in the lower cost so as to facilitate our asset-liability matching; when the market interest rate is relatively high and expected to fall, we would consider reducing the business volumes of the savings-type reinsurance with high cost. Since 2013, the market interest rate has remained relatively high and the cost of our savings-type business has significantly increased. Given we decided to only underwrite business with low cost, there has been a decrease of our reinsurance premium income from such business. We actively consider the changes in interest rate and available investment opportunities, monitor the fluctuation of our business costs, increasingly promote the business model of "assets driving liabilities", and reinforce our cooperation with clients. With such efforts, we aim to capture business opportunities while achieving effective asset-liability management and have strengthened our market leading position.

Domestic Financial Reinsurance

The main functions of reinsurance are risk transfer and financial management. Traditional reinsurance focuses more on risk transfer and less on financial management, while financial reinsurance focuses more on financial management and less on risk transfer. As such, financial reinsurance generally refers to reinsurance business in which ceding companies arrange reinsurance more for the purpose of improving their financial condition than for transferring risk. The demand for financial reinsurance of ceding companies is primarily driven by their needs to improve solvency position, to reduce new business strain and to enhance embedded value. Compared with other reinsurance business, financial reinsurance is generally characterised by large and volatile volumes of premiums with relatively low profit margins, and is often ceded on a temporary basis. Our domestic financial reinsurance business primarily helps the ceding companies to improve their solvency positions.

In the domestic market, we satisfy ceding companies' demand for solvency improvement by increasing their actual capital or reducing the minimum capital requirement through the following forms of reinsurance. Under a YRT contract, a ceding company could reduce the minimum capital requirement by ceding a proportion of net amount at risk to a reinsurer, or increase the actual capital by recognising reinsurance reserve receivables. Under a co-insurance contract, a ceding company could reduce the retained premiums and transfer the obligation of claims or long-term insurance contract reserves by ceding a proportion of sum insured to a reinsurer, thereby reducing its minimum capital requirement and increasing the actual capital through reinsurance commissions paid by the reinsurer. Under a modified co-insurance contract, a ceding company could similarly reduce the minimum capital requirement as under a co-insurance contract while the long-term insurance contract reserves are not transferred to reinsurers, and sometimes the ceding company could increase the actual capital through reinsurance commissions paid by reinsurers. We primarily adopt YRT and co-insurance in our financial reinsurance business.

We believe that we were the first in China to conduct financial reinsurance business, and have provided customised financial reinsurance solutions for a number of clients, through which we have developed market influence in this business area. We operate our financial reinsurance business from the perspectives of enhancing capital efficiency, consolidating market position, maintaining client relationships and promoting cooperation in other businesses. Taking into account our solvency position, we tactically develop our financial reinsurance business.

As a reinsurance company, with our capital and solvency strengths we are able to provide capital support to ceding companies and make profits while meeting our own solvency regulatory requirements, thereby improving our overall capital efficiency. In recent years, due to multiple factors such as volatile capital markets in the PRC, continuous rapid growth of life and health insurance business, tightening solvency regulations and relatively limited capital replenishment channels, demands for financial reinsurance with the main purpose of improving solvency margin ratio have been increasing year by year, and financial reinsurance has become an important reinsurance business in the domestic market. With our deep understanding of client needs and our capabilities in designing reinsurance solutions, we have been an important player in the domestic financial reinsurance market and the development of this business also facilitates our market position consolidation. As financial reinsurance typically requires a deep understanding of relevant business risks and financial information of ceding companies, we are able to further acquire other traditional reinsurance business while strengthening client cooperation and maintaining client relationships through the development of financial reinsurance business.

Under the C-ROSS regime, primary insurance companies will face new challenges in order to comply with the regulatory requirements, and will be in demand of new financial reinsurance solutions to be developed by reinsurance companies to meet their financial management needs. As such, we have taken the initiative to conduct relevant research and exploration in advance. We actively participate in the formulation of the regulations for life and health reinsurance business under the C-ROSS regime. We conducted in-depth analysis on the impact of the C-ROSS regime on domestic life and health reinsurance business, and had extensive communications with our clients to understand changes in their reinsurance needs under the new regulatory regime. We proactively explored the reinsurance business model under the C-ROSS regime, and we are well prepared in terms of expertise and capital adequacy for such business.

Our financial reinsurance business includes long-term and short-term life, health and accident reinsurance businesses. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our financial reinsurance business was RMB5,286 million, RMB7,863 million, RMB11,455 million and RMB11,559 million, respectively, representing a CAGR of 47.2% from 2012 to 2014. The significant increase in our reinsurance premium income during the first half of 2015 was primarily due to the reinsurance premium income of RMB10,300 million under two new financial reinsurance contracts we concluded with a primary insurance company during the same period.

Overseas Life and Health Reinsurance

Our overseas life and health reinsurance business comprises primarily cross-border RMB reinsurance business and a small amount of other overseas life and health reinsurance businesses. We took the initiatives to capture opportunities arising from the rapid growth in offshore RMB markets and offshore RMB insurance products against the backdrop of RMB internationalisation, and we were the first reinsurance company to launch cross-border RMB reinsurance business in 2010, and have established ourselves as a leading reinsurer in this business sector. In addition to cross-border RMB reinsurance business, we also promote the steady development of other overseas life and health reinsurance businesses.

In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our overseas life and health reinsurance was RMB6,537 million, RMB6,952 million, RMB5,954 million and RMB1,951 million, respectively. The reinsurance premium income from our cross-border RMB reinsurance was RMB5,971 million, RMB6,377 million, RMB5,302 million and RMB1,917 million, accounting for 91.4%, 91.7%, 89.0% and 98.2%, respectively, of the reinsurance premium income from our overseas life and health reinsurance business in the same periods. Geographically, our overseas life and health reinsurance business originates from Hong Kong, Macau and Taiwan, the rest of Asia, Europe and the Americas. Reinsurance premium income from Hong Kong, Macau and Taiwan accounted for the largest portion of all our overseas life and health reinsurance business, or 90.6%, 92.1%, 89.1% and 98.4%, respectively, of our overseas life and health reinsurance business in 2012, 2013, 2014 and the first half of 2015.

The table below sets forth the reinsurance premium income of our overseas life and health reinsurance business by business line during the Track Record Period:

	For the year ended 31 December						**For the six months ended 30 June**	
	2012		**2013**		**2014**		**2015**	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Cross-border RMB reinsurance	5,971	91.4%	6,377	91.7%	5,302	89.0%	1,917	98.2%
Life	5,971	91.4%	6,377	91.7%	5,302	89.0%	1,917	98.2%
Health(1)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other overseas business	566	8.6%	575	8.3%	652	11.0%	34	1.8%
Life	12	0.2%	28	0.4%	104	1.7%	55	2.8%
Health	81	1.2%	87	1.3%	3	0.1%	1	0.1%
Accident(2)	473	7.2%	460	6.6%	545	9.2%	(22)	(1.1)%
Total	6,537	100.0%	6,952	100.0%	5,954	100.0%	1,951	100.0%

Notes:

(1) Reinsurance premium income for health insurance business line under cross-border RMB reinsurance was less than RMB0.3 million in each period during the Track Record Period and thus was shown on the table as zero.

(2) Reinsurance premium income from accident insurance in overseas life and health business in the first half of 2015 was RMB-22 million, which was primarily due to the impact of the difference in estimated premiums from reciprocal business.

The table below sets out the reinsurance premium income of our overseas life and health reinsurance business by geographical area during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Hong Kong, Macau and Taiwan	5,921	90.6%	6,401	92.1%	5,309	89.1%	1,919	98.4%
Rest of Asia	148	2.3%	112	1.6%	66	1.1%	49	2.5%
Europe [(1)]	467	7.1%	439	6.3%	521	8.8%	(42)	(2.2)%
Americas	1	0.0%	0	0.0%	58	1.0%	25	1.3%
Total	6,537	100.0%	6,952	100.0%	5,954	100.0%	1,951	100%

Note:

(1) Reinsurance premium income from Europe in the first half of 2015 was RMB-42 million, which was primarily due to the impact of the difference in estimated premiums from reciprocal business.

Cross-border RMB Reinsurance

Cross-border RMB reinsurance business refers to the reinsurance business reinsured by reinsurance or insurance companies in the PRC from overseas cedants and settled in RMB. Resulting from the wide use of RMB in international trade and investment, the demand for RMB financial services from overseas individuals and enterprises has been gradually increasing, which promotes the expansion of the RMB business in the overseas financial centres. After several years' development, Hong Kong has become a global hub for offshore RMB business, and several other offshore RMB centres such as Taiwan, Singapore and London also emerged. Driven by the development of offshore RMB business, life insurance products denominated in RMB have been in high demand. According to the data published by OCI, in 2014, the percentage of individual new business premiums of RMB-denominated policies reached 10% of the total individual new business premiums in Hong Kong, and the size amounted to over RMB9 billion. The pursuit of higher investment returns by insurance companies underwriting RMB-denominated policies gave rise to the demand for cross-border RMB reinsurance. We proactively seized this market opportunity and took the lead in launching cross-border RMB reinsurance business in Hong Kong in 2010. Thereafter, we further expanded this business to Macau, Singapore and Taiwan, and established our leading position in this business area. In 2014, our TWPs from newly reinsured RMB-denominated individual insurance policies in Hong Kong accounted for approximately 42% of the total new business premiums of RMB-denominated individual insurance policies underwritten by the primary insurers in Hong Kong. In Hong Kong, we have developed reinsurance business with all life and health insurance companies that offer RMB-denominated insurance policies. As at 30 June 2015, we conducted business with 20 ceding companies in the above four markets, which are all leading life and health insurance companies in these respective markets, by entering into 26 reinsurance treaties and 119 addendums.

Our cross-border RMB reinsurance business consists primarily of traditional reinsurance and universal reinsurance. Similar to the domestic savings-type reinsurance business, it primarily comprises long-term life insurance. The main types of products ceded are endowment insurance and annuity insurance, and the ceding companies are primarily large life and health insurers in Hong Kong. Due to relatively low interest rates for RMB funds in offshore markets, cross-border RMB reinsurance business has lower funding cost and higher profitability as compared with domestic savings-type business. For 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our cross-border RMB reinsurance business for traditional life insurance was RMB5,971 million, RMB6,377 million, RMB5,302 million and RMB1,917 million, respectively.

China Re Life also underwrites universal life insurance business from ceding companies. All contracts of such business stipulate that China Re Life shall only assume the obligation for achieving certain level of investment return for the investment accounts. As a result, contracts related to such business are not deemed as insurance contracts. According to the Interpretation No. 2, premiums from such business shall not be recognised as premium income. For 2012, 2013, 2014 and the first half of 2015, the TWPs from our cross-border RMB reinsurance business for universal life insurance (credited to policyholders' deposits and investment contracts liabilities) were RMB1,420 million, RMB3,085 million, RMB1,881 million and RMB2,257 million, respectively, representing a CAGR of 15.1% from 2012 to 2014.

We have gradually diversified our cross-border RMB business. Prior to 2012, RMB-denominated insurance products comprised primarily savings-type endowment and universal life. From 2012 to 2013, RMB-denominated annuity insurance and whole-life participating insurance as well as other product types were gradually introduced to the market. Overseas life and health insurance companies enhanced the attractiveness of RMB-denominated insurance products by extending premiums payment periods, diversifying premium payment methods and providing additional coverage. In response to the diversification of RMB-denominated insurance products, we are dedicated to helping develop new products and increasing their attractiveness, so as to meet the overseas residents' needs for RMB-denominated policies and overseas insurance companies' demand for reinsurance.

Our cross-border RMB reinsurance business supports our overseas clients in growing their offshore RMB insurance business and enhances our business relationships with such clients, which lays a solid foundation for our future cooperation in other business areas. In addition, such business allows us to accumulate large amount of investment assets at relatively low cost, which provides strong support for the growth in our net profits.

Since 2014, the reinsurance premium income of our cross-border RMB reinsurance business has declined due to various factors, including fluctuations in RMB exchange rates, higher local interest rates for RMB in Hong Kong, the implementation of Shanghai-Hong Kong Stock Connect, and intensified market competition. In response to the current business and market environment, we will take steps to promote the steady growth of such business. We will reinforce our relationships with core clients and continue to diversify our client base while focusing on Hong Kong as our primary market. On this basis, we will further develop business in Taiwan and Singapore, while actively exploring business opportunities in other prospective markets such as Europe, the Americas and the rest of Asia. We will attach great importance to product innovation, further strengthen our advantages in universal life reinsurance business, and grow traditional life business with higher profit margin. We will expand traditional life products such as annuity and whole-life participating insurance. In addition, we will closely monitor RMB exchange rates and interest rates onshore and offshore, and enhance our asset-liability management while maintaining a stable profit level of our cross-border RMB reinsurance business.

Other Overseas Life and Health Reinsurance

Our other overseas life and health reinsurance business includes a small amount of short-term protection-type reinsurance business, which primarily comprises protection-type life insurance, health insurance and accident insurance, primarily in the form of reciprocal business. Reciprocal business refers to a form of business in which China Re Life simultaneously enters into both an inward contract and an outward contract with the same counterparty so as to exchange the underlying business. For 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our other overseas life and health reinsurance business was RMB566 million, RMB575 million, RMB652 million and RMB34 million, respectively.

Building upon the success of our cross-border RMB reinsurance business, we will prudently develop other overseas life reinsurance business. We will seek to increase our presence and develop our business in the Asia-Pacific region as a priority region, with a view to expand our brand influence in the region. We will also seek to develop our business in the European and North American markets under appropriate circumstances.

Legacy Life and Health Reinsurance Business of the Group Company

China Re Life is entrusted by the Group Company to manage the legacy life and health reinsurance business booked at the Group Company level. In 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from this entrusted business was RMB154 million, RMB133 million, RMB124 million and RMB64 million, respectively. The business comprises a number of outstanding reinsurance contracts for health insurance products. During the Track Record Period, no new business was underwritten in connection with our legacy life and health reinsurance business.

Business Channels

Due to the characteristics of life and health reinsurance business, we develop our business primarily through our employees, which enables us to establish close and effective contact and communications with primary insurance companies. The reinsurance premium income originated through our employees during the Track Record Period accounted for over 99.9% of our total reinsurance premium income from life and health reinsurance business for the same period. Leveraging our well-recognised brand and outstanding client service capabilities, leading market position and professional technical expertise, we believe we are the reinsurance partner of choice for the PRC primary life and health insurance companies. Meanwhile, we endeavour to proactively explore the market, and continue to identify potential business opportunities in overseas markets. We also seek to develop our business through reinsurance brokers. We maintain business relationships with major international reinsurance brokers, primarily for underwriting catastrophe-related risks.

Clients and Client Services

Clients

We have established business relationships with over 110 insurers at home and abroad. As at the Latest Practicable Date, there were 75 primary life and health insurance companies in China in total, and we have developed and maintained business relationships with 70 of them. In Hong Kong, we also have an extensive client base. As at 30 June 2015, we have developed reinsurance business with all life and health insurance companies in Hong Kong that offer RMB-denominated insurance policies. We are committed to providing a full array of services, including capital management, risk management and technical support services, to a wide range of clients, especially those with growth potentials. For 2012, 2013, 2014 and the first half of 2015, the reinsurance premium income from our top five clients accounted for 56.6%, 49.0%, 60.2% and 85.2%, respectively, of our total reinsurance premium income from our life and health reinsurance business. The significantly higher client concentration in the first half of 2015 was due to the reinsurance premium income of RMB10,300 million under two new financial reinsurance contracts we concluded with a life and health primary insurance company in the same period.

Client Services

We have a high-quality client service team. As at 30 June 2015, we had 30 account managers in total, of which 23 had experience in client services of ten years or above. Of our 30 account managers, seven had actuarial qualifications, 11 were FLMIs (Fellow of the Life Management Institute), and five held ARA (Associate Reinsurance Administration).

We attach great importance to day-to-day communications with our clients. In 2013 and 2014, we had paid more than 1,000 recorded visits to our clients. These visits helped enhance our relationships with clients and better understand their requirements. Meanwhile, to meet clients' needs in a timely and effective manner, we started building the Client Service System (CSS) in 2011, which was put into operation at the end of 2012.

To support the development of primary insurance companies, we provide professional and comprehensive services in areas such as underwriting, claims management, product and platform development, facultative reinsurance, and training and seminars. We believe such services enable us to improve client satisfaction and loyalty, further enhance our brand value, and enlarge our client base, thus increasing sources for our business.

Underwriting and Claims Settlement

We developed the Sales Support Rules Engine, which is applied at the front-end of the sales process. The engine is applicable to telesales, online sales, bancassurance channels and mobile business development platforms. The rules incorporated in the engine are designed for four major insurance types, namely, life insurance, accident insurance, critical illness insurance and hospitalisation benefits. The engine allows for automatic underwriting and issuance of policies using interactive questionnaires, which can standardise the underwriting process to increase the automatic underwriting efficiency of insurance companies. A number of domestic insurance companies have entered into agreements with us to apply the engine in their operations.

We have independently developed a Claims Inquiry System for claims settlement staff of insurance companies to handle and review claims for accidental disability. We believe it is the only support system on the market for searching the new disability evaluation standards and codes in the settlement of claims for accidental disability. The Claims Inquiry System can reduce the workload of claims settlement staff in searching the standards and codes, and increase the primary insurance companies' efficiency of claims settlement by significantly improving the accuracy and consistency when handling claims for accidental disability. A number of domestic insurance companies have entered into agreements with us for the access to the system.

We have developed an Electronic Underwriting Manual based on local underwriting practices. It sets underwriting standards and helps the underwriting staff of our clients improve efficiency in underwriting as well as enhancing our underwriting service quality. After its launch, the manual has been in stable operation, and has been widely used and recognised by PRC primary insurance companies. As at 30 June 2015, the manual was used by 62 domestic primary insurance companies and six Hong Kong insurance companies, serving more than 800 individual users.

Product Development and Platform Services

In recent years, we have further enhanced our innovation and service capabilities, developed more diversified and customised products to meet various market demands, and continuously explored new business sources with high value and potential for growth. In 2014, we made substantive breakthroughs in protection-type products, with significant progress in key areas such as critical illness, cancer and mid- and high-end medical insurances. In 2014, we entered into more than 90 reinsurance treaties or addendums as a result of our efforts in product development, representing an increase of 36% in the number of such contracts as compared with 2013. Our technical expertise in product development is playing an increasingly important role in acquiring new business. In 2014, we sought business opportunities across various sectors, and joined hands with external organisations and institutions in product development and data sharing to design chronic disease health management solutions.

We expect product services to be one of the key aspects in future competition. For example, the implementation of the C-ROSS regime is expected to impact the business model of financial reinsurance. As such, we have been preparing for the changes while actively researching and exploring viable models under the C-ROSS regime, so as to adapt to the changing market needs and strengthen our client service capabilities.

We are actively exploring the organic integration of reinsurance and the Internet to create new service models and an integrated insurance service platform. As the Internet has played a more important role in insurance sales in recent years, primary insurance companies have experienced rapid growth in their premium income through online channels. We also explore cooperation with dedicated online platforms. We entered into a strategic cooperation agreement with an Internet company, in order to jointly build a new platform for integrating online product development, sales, underwriting and claims settlement. The new online service platform that we plan to create seeks to transform the Internet from a simple distribution channel to an integrated insurance platform, and it will also enable us to drive the new business development of reinsurance arrangements in the market via such platform and create additional sources for our reinsurance business.

Facultative Reinsurance Service

We have increased the efficiency of our facultative reinsurance business by streamlining the business process and refining the operational control and management. In 2014, we handled more than 7,000 facultative reinsurance cases. We have established a database of typical cases for facultative reinsurance, to improve the underwriting consistency and efficiency of facultative underwriters in solving complex cases. We have also significantly improved our client service experience by providing our key clients with expedited access to our facultative reinsurance services.

Training and Seminars

We have established training platforms of different scopes and forms at the national and regional levels as well as to dedicated clients. We have established three training brands at the national level, namely, the “Reinsurance Administration”, “ReSearch” and “Chief Actuaries Forum”, and will continue to launch more in-depth training programmes. In 2011, we launched a series of training programmes under the “Reinsurance Administration” brand to educate our clients on basic and practical knowledge of reinsurance. In the same year, we started the periodic publication of ReSearch, which focuses on frontier research in life and health insurance at home and abroad, to provide a platform for insurance studies for life and health insurance companies and practitioners in China. Based on such publication, we launched a series of “ReSearch” training sessions for middle-level and senior underwriting staff, actuaries and the management of our clients in 2013. We, jointly with the China Association of Actuaries, held the “China Chief Actuaries (Life Insurance) Forum” in 2014, providing a platform for the communications among the senior management of our clients. In addition to the training programmes at the national level, we also provide trainings in Northern China, Eastern China and Southern China at the regional level and organise dedicated training and communication activities to meet our clients’ specific needs. In 2012, 2013 and 2014, we respectively held 14, 22 and 22 training sessions in the form of conferences. There have been more than 1,000 participants from more than 60 primary insurance companies in the various forms of training sessions held by us during each of the past three years.

China Re Life has developed training programmes on multiple topics and at multiple levels. They are designed for regular and long-term communications on market hot topics among the professionals in the life and health insurance sector, improving client service quality and enhancing the depth and breadth of our technical support. The training and seminars that meet the market needs are able to facilitate the sharing of best practices between us and our clients, which is expected to improve our technical expertise and industry influence on an ongoing basis.

Actuarial Practice

As at 30 June 2015, China Re Life had a total of 35 employees with actuarial background, of which 30 employees held a total of 37 actuarial qualifications, including qualifications such as FSA (Fellow of the Society of Actuaries), FIA (Fellow of the Institute of Actuaries), FIAF (Fellow of the Institute of Actuaries of France) and FCAA (Fellow of the China Association of Actuaries). Our actuarial team members have rich experience, among which 21 have industry experience of ten years and longer. They provide strong and professional actuarial support to us in key areas such as valuation, underwriting, pricing, product research and development and service consulting.

Our actuarial practice covers three key areas, namely, (i) comprehensive corporate actuarial function, including quarter-end and year-end business estimation and reserve evaluation for our life and health reinsurance business, yearly business forecast and quarterly underwriting performance analysis, dynamic monitoring of solvency positions and cash flows, experience analysis and in-force business value assessment, asset-liability management and capital management on statutory and economic basis, economic capital and relevant calculation and reports; (ii) pricing-related actuarial function, including pricing, retrocession arrangements and fundamental research on pricing; (iii) marketing-related actuarial function, including professional and in-depth communications with clients, accurate understanding of the clients' demands, timely feedback on such demands and professional reinsurance solutions and high-quality services.

Meanwhile, our actuarial team have played an important role in formulating the C-ROSS rules, particularly those rules related to life and health reinsurance business. Our actuary team also participated in various industry fundamental research, including the construction of the first critical illness table and the third mortality table, which enables us to accumulate rich experience and enhances our reputation in the life and health insurance industry. At the same time, our actuary team have conducted a large number of client trainings and consulting services by leveraging their rich industry experience and professional expertise, which further improved our service quality and market influence.

Underwriting and Claims Settlement

We have a professional underwriting and claims settlement team. As at 30 June 2015, China Re Life had a team consisting of 19 employees with underwriting and claims settlement backgrounds, all of whom have a medical academic background or clinical medical experience. 12 of them have more than ten years' experience in underwriting and claims settlement, five are FALUs (Fellow of the Academy of Life Underwriting), and ten are FLMIs (Fellow of the Life Management Institute).

Our underwriting process includes proposal assessment and risk evaluation. Through risk evaluation, we assess whether the risk related to the business is within our risk tolerance that we are willing and able to bear, and make our underwriting decisions accordingly. We also make retrocession arrangements in accordance with the risk involved. We have a centralised management model and a tiered underwriting authorisation system. Escalation is required for business that exceeds the authorisation for each relevant tier. Over recent years, our underwriting policies and processes have generally remained consistent, and we adjust our underwriting rules and pricing basis periodically according to our business conditions and changes in the market environment.

Underwriting

We have developed and adopted advanced tools and information systems for underwriting. Over the years, we have collected and analysed a large amount of historical data on underwriting and claims settlement. On such basis and in conjunction with the PRC demographic data and epidemiological data, we have compiled the "China Re Life Online Electronic Underwriting Manual" customised for the PRC life and health insurance market and officially launched the manual in January 2010. The system meets our needs for assessing the risk in underwriting business and improves our underwriting efficiency and service quality. Meanwhile, we independently developed and launched what we believe to be the first cancer insurance underwriting manual in 2014 to target the growing demand for cancer insurance, and we expect to develop an electronic version of this manual. We anticipate that the manual will fill the gap in the risk assessment area for China's cancer insurance and reinsurance industry and that our relevant information systems will be the leading system in the market.

For facultative reinsurance, we have set up a centralised facultative unit under the underwriting team responsible for such business. We continue to improve our operation in facultative reinsurance in the following areas: (i) we streamlined the underwriting workflow for facultative reinsurance, which improved our efficiency and significantly reduced our response time; (ii) we devoted more resources to improving the response efficiency and offering more underwriting support to our key clients, and set up a dedicated channel to facilitate expedited services for such key clients; (iii) we launched "automatic docking services" for facultative reinsurance business, connecting the facultative reinsurance requests of our primary insurance clients with our Client Service System (CSS) so as to reduce the workload of data entry and to improve data accuracy and efficiency; and (iv) we paid more regular visits to our clients, improved the communications of our underwriting decisions on facultative reinsurance, and provided trainings to our clients in relation to such business.

Pricing

Pricing capabilities are one of our core strengths as a reinsurer. Our professional actuarial capabilities and extensive data resources provide solid technical foundation for our accurate pricing. Meanwhile, the experience and quality of our staff, our understanding of client needs, the measurement and analysis of risks, and the combination of various reinsurance terms and conditions are also crucial to our accurate pricing.

Leveraging our years of operations in China's local market, we have accumulated a large amount of extensive long-term business data, based on which we have conducted comprehensive data mining and analysis and in-depth research in areas such as mortality rate, critical illness incidence rate, accidental mortality rate, long-term hospitalisation benefits product, accidental medical product and other medical insurance. These researches have assisted us in formulating effective pricing basis, and in turn promoted our cooperation with primary insurance companies as well as our business development. The data we accumulated covers all business lines, including life, critical illness, medical and accident insurances, and is able to support detailed analysis from multiple dimensions, including age, gender, occupation, year and region. For life insurance, mortality assumptions are based on industry experience and China Life Insurance Mortality Table (2000-2003). For critical illness insurance, morbidity assumptions are generally based on experience data, after taking into consideration the implication of claim reserves on morbidity rate and the development trend of the morbidity rate itself. The assumptions of medical expenses, days of hospitalisation and hospitalisation rate are based on experience data and appropriate additional risk loading.

We have well-developed pricing procedures and strategies, which help ensure effective risk control. We adopt the mode of centralised and tiered authorisation for pricing. Pricing is all centrally handled by actuarial staff of the underwriting team at China Re Life. Different pricing authorisation is granted to actuarial staff based on their technical ranks and experiences. Business that exceeds the authority granted to such staff will require the superior's approval upon strict scrutiny of the pricing model, the assumptions and the relevant process.

We have formulated tailored pricing strategies for different business lines based on our business development needs and underwriting strategies. We support the development of profitable domestic protection-type business through proactive pricing strategies, with pricing for domestic protection-type business mainly based on industry experiences. Besides, we adopt differential pricing according to customer group by making use of our advantages in data so as to identify and acquire quality businesses. We either choose not to underwrite businesses with relatively high risk or low profits or apply strict pricing terms to such businesses in order to control risk exposure. For domestic savings-type business and cross-border RMB business, we consult Chine Re AMC when formulating the business plans. For financial reinsurance, firstly, we carefully assess the financial condition of the ceding companies in the pricing process to strictly control our risk exposure and properly select counterparty. Secondly, we make reasonable planning and arrangements based on our own capital position to ensure that we maintain a stable solvency margin ratio. Thirdly, we price appropriately in accordance with the capital market conditions, risk exposure and market competition. In addition, we focus on the collection and analysis of market information, analyse the latest experience data and make timely adjustments to our underwriting and pricing strategies.

Claims Settlement

We have established a structured claims settlement system and have formulated comprehensive practice guidelines for claims settlement. We adopt centralised management and tiered authorisation for claims settlement. All claims cases reported by primary insurance companies will be examined by claims settlement staff at China Re Life. For tiered authorisation of claims settlement, different authority is granted to claims settlement staff based on their technical ranks. Claims settlement decisions that exceed the granted authority requires escalation. Focusing on analysing and identifying key risks in claims settlement, we have substantial experience in claims settlement relating to new products in the industry, and we provide industry experience and relevant technical training to primary insurance companies. We have generally set up a cooperation network with law firms to support claims lawsuits. Since 2015, we have been gradually developing a network for cooperation with external investigation agencies and judicial forensic institutions, thereby enhancing our capabilities in handling claims settlement cases that involve legal proceedings and complicated claims, helping us detect insurance fraud and improving our services to primary insurance companies. We have established close business relationships with a number of primary insurers in claims settlement, and coordinated the centralised settlement of significant cases in the insurance industry through our reinsurance platform. Capitalising on our ample professional experience in claims settlement, we also advise primary insurance companies on risk control in their business process, system construction and claims settlement management through an examination of their business, and help these primary insurance companies effectively mitigate risks.

Industry Fundamental Research

We have taken an active part in the fundamental research of the insurance industry, assisted the regulatory authorities in formulating industrial standards, and made significant contributions to the standardisation and sound development of the PRC insurance industry. In order to resolve the disputes over critical illness insurance claims settlement, since 2006 we have participated in the formulation of the definitions of critical illness for the PRC insurance market and the Critical Illness Definitions Guidelines under the guidance from the CIRC, which became the first industry standardised operational guidelines for the PRC critical illness insurance sector, exerting a significant impact on the further development of critical illness insurance in the PRC. In 2011, as the key sponsor and project organiser for the China Life Insurance Experienced Critical Illness Table (2006-2010), we helped achieve the smooth execution of the project by providing a variety of support to the China Association of Actuaries. The project provided a comprehensive picture of the experienced incidence rate of critical illness for insured population in the PRC during the period from 2006 to 2010. This project also published the percentage of "death caused by critical illness", which provides valuable reference for other insurance markets.

We took the lead in formulating China Insurance Disability Standard, which took five years to complete and was published in June 2013 and selected as one of "the top 10 insurance news in China in 2013". This standard was selected as an "excellent standard" by China Financial Standardisation Technical Committee in early 2015 and was the only insurance industry standard chosen for this award. As the leading entity, we were involved in the entire process of the project, and took the overall responsibility for the standard formulation and data collection and analysis. We organised the consolidation and analysis of more than one billion pieces of related business data, which provided a statistical basis for decision-making for the industry. We also acquired experience in massive data analysis through this process. Based on this experience we were again commissioned by the CIRC in 2015 to lead the project for compiling data of underwriting and claims settlement for accident insurance and studying the risk premium rate of such insurance. The data compiled and analysed under the project will cover more than 90% of the entire industry's underwriting and claims data of accident insurance in 2014. The project will help establish pricing mechanism of accident insurance for the industry and drive the industry reform in the pricing of such insurance.

We continue to take the responsibility for the construction of mortality tables for the industry, and we are taking the lead in preparing the third mortality table. We expect to complete our work on mortality rate, accidental mortality rate, critical illness incidence rate, and analysis of death causes by 2015, and provide more comprehensive pricing support for traditional life insurance and health insurance business to the industry in the future.

In 2015, the MOF, the SAT and the CIRC jointly issued the Notice on Launching the Individual Income Tax Pilot Programme for Commercial Health Insurance, which will launch the pilot programmes on the personal income tax policy for commercial health insurance. As a member of the working group for the launch of tax-preferred health insurance products under the CIRC, we were mainly responsible for the early-phase planning and initial pricing of such products and we also participated in the discussions on the information technology system, rules and procedures.

Asset-Liability Management

The effective matching of asset and liability is an inherent requirement of life reinsurance operation. We conduct specialised reinsurance and asset management businesses under separate entities. Accordingly, China Re Life and China Re AMC cooperate closely to conduct asset-liability management. China Re Life is responsible for providing the liability characteristics, such as business nature, cash flow, duration and profit requirement, of our life and health reinsurance business to China Re AMC in accordance with the internal entrustment agreement and investment guidelines of the Group, on which basis China Re AMC selects proper assets to match such liabilities. Despite the restrictions on investment scope and duration in the current PRC capital markets, we have improved asset-liability management and profitability in recent years.

Life reinsurance business normally has salient wealth management features. Our ability to provide investment returns to our clients is a significant driver of business development. To promote the development of life reinsurance business, we have established an “assets driving liabilities” team, which improved relevant business process and combined the expertise of both China Re AMC and China Re Life. For instance, in a savings-type business transaction with a domestic joint venture life insurance company, China Re AMC was involved in the negotiation of the reinsurance contract to provide support on the contract terms and underwriting decisions, and we made corresponding restrictions on the counterparty’s withdrawal in the terms of the reinsurance contract to cater to the low liquidity of the matched assets. In addition, we have established an asset pool comprising investment assets with relatively high returns and appropriate durations to support the development of our reinsurance business. The above measures helped reduce risks in our savings-type reinsurance business and helped provide safeguard for stable profits.

Retrocession

We have set specific accumulated retention amount per life for each business line. Our underwriting team is responsible for conducting regular review on retention amount and making retrocession recommendations according to retrocession market conditions, our overall financial conditions and business development as well as reasonable risk control needs. Their recommendations are submitted to the business management team, risk management team and legal and compliance team to solicit their comments and then submitted to the senior management for final approval before such recommendations are implemented.

We aim to strengthen our underwriting capacity and reasonably transfer and diversify our risks through retrocession to qualified insurance and reinsurance companies. When selecting retrocessionaires, we carefully consider their underwriting capacity and credit ratings, so as to control our counterparty risk when transferring and diversifying our risks. As at 30 June 2015, we had business relationship with a total of 22 retrocessionaires, including three domestic and 19 foreign ones. As at the same date, we had a total of 105 retrocession contracts in force. When assessing the qualifications of retrocessionaires, we consider various aspects, including their financial and capital strength, underwriting and claims payment history, claims settlement efficiency and service quality, and credit ratings assigned to them by international and domestic rating agencies. As at 30 June 2015, all the retrocessionaires who have signed treaties with us since 2012 had an A.M. Best rating of A (or equivalent rating) or above. In 2012, 2013, 2014 and the first half of 2015, the premiums retroceded to our top 3 retrocessionaires represented 89.6%, 90.4%, 78.4% and 94.3%, respectively, of our total premiums retroceded for the same period.

The table below sets forth the premiums retroceded and the retrocession ratio of China Re Life during the Track Record Period. The higher retrocession ratio in the first half of 2015 was primarily due to the retrocession of our domestic savings-type in-force business.

	For the year ended 31 December			For the six months ended 30 June
	2012	**2013**	**2014**	**2015**
	(RMB in millions, except percentages)			
Reinsurance premium income	15,903	18,261	20,957	15,479
Premiums retroceded	900	2,036	2,533	2,978
Retrocession ratio	5.7%	11.1%	12.1%	19.2%

To improve the efficiency of capital deployment, China Re Life may retrocede part of its life and health reinsurance business to the Group Company from time to time.

Reserves

The following discussion relates to the determination of our life and health insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS.

In determining reserves for reinsurance contracts, we take the future expected net cash flow arising from life and health reinsurance contracts as the basis with consideration of margin factors and the impact of the time value of money. The principal types of reserves we maintain are unearned premium reserves, claim reserves and long-term life and health reinsurance contract reserves. In addition, we also perform liability adequacy tests and may adjust the reserves for the relevant reinsurance contracts based on the results of such tests.

Unearned Premium Reserves

The unearned premium reserves are provided for unexpired insurance obligations of our short-term reinsurance contracts.

We would measure the unearned premium reserves during the period in which the reinsurance premium income from our short-term reinsurance is recognised based on the higher of:

(i) the difference of reinsurance premium income minus day-one expenses multiplied by unearned percentage;

(ii) The discounted net future cash outflow including claim payments, administration and claims settlement expenses, and corresponding risk margin. Risk margin is determined using the 75% quantile method based on our experience together with reference to the relevant industry benchmarks.

Claim Reserves

Claim reserves refer to our provision for incurred claims from our short-term reinsurance which are not yet settled insured by us as reinsurer, including case reserves, IBNR reserves and loss adjustment expense reserves.

Case reserves represent the reserves for incurred short-term reinsurance claims which have been reported but not yet settled. We measure case reserve based on the information provided by cedants.

IBNR reserves represent the reserves for incurred short-term reinsurance claims that have not been reported to us. Based on the nature and distribution of insurance risk, the pattern of historical claim development, and the latest available claim data, we adopt chain ladder methods and expected loss ratio method (based on the best estimate of ultimate claims) to measure IBNR reserves, with consideration of margin factors.

Loss adjustment expense reserves represent reserves for claims related expenses such as settlement fees, legal cost, claim-surveying cost and salary of claim handling staff, on incurred short-term claims. We mainly use the ratio allocation method to measure loss adjustment expense reserves.

Long-term Life and Health Reinsurance Reserves

We measure long-term life and health reinsurance contract reserves based on the best estimates of future payments that will be required to fulfil the reinsurance obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of: (i) the guaranteed benefits based on contractual terms, including death claims, disability claims, medical benefits, survival benefits, maturity benefits, among others; (ii) the non-guaranteed benefit, including policyholder dividends, among others; and (iii) reasonable expenses necessarily incurred to manage reinsurance contracts or to process claims, including policy maintenance expenses and loss adjustment expenses, among others. The expected future cash inflows include cash inflows arising from the undertaking of reinsurance obligations, including premiums and other charges.

Margin that is taken into consideration when we calculate the reserves for reinsurance contracts comprises risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertainty of future cash flows. Residual margin is the margin for not recognising day-one gain and will be amortised over the life of the contracts. The subsequent measurement of residual margin is independent of the reserve related to best estimate of future discounted cash flows and risk margin.

For the reinsurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, we determine the discount rate for computing the long-term life and health reinsurance reserves on the basis of market interest with equivalent duration and equivalent risk to liability cash outflows. For the reinsurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, we determine the discount rate for computing the long-term life and health reinsurance reserves on the basis of expected future investment return rate of the corresponding investment portfolios.

Based on the historical experience and trend of future development, we determine the reasonable estimates as the assumptions, such as mortality rate, morbidity rate, disability rate, lapse rate and expenses. For future expense which is sensitive to inflation, we consider the factors of inflation and the effects of our expense controls to determine the expenses assumptions.

Liabilities Adequacy Test

We perform liability adequacy tests for unearned premium reserves and reserves for long-term life and health reinsurance on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, the carrying amount of the reserves shall be increased to the adequacy test result. And if the related reserve is adequate, no adjustment is made.

PRIMARY P&C INSURANCE BUSINESS

Overview

We operate primary P&C insurance business in the PRC through China Continent Insurance, in which the Group Company holds 93.18% of equity interests. Founded in October 2003, China Continent Insurance achieved rapid expansion in its primary P&C insurance business by capitalising on the nationwide service network, solid underwriting capacity, and differentiated customer service. In terms of the Original Premium Income as published by the CIRC, we had a market share of 3.0% in 2014 and 3.1% in the first half of 2015, both ranking sixth among all primary P&C insurance companies in the PRC. In 2012, 2013, 2014 and the first half of 2015, our Original Premium Income was RMB17,902 million, RMB19,846 million, RMB22,358 million and RMB13,226 million, respectively, representing a CAGR of 11.8% from 2012 to 2014. The Original Premium Income increased by 19.8% in the first half of 2015 as compared with the same period in 2014.

We have a wide range of P&C insurance product lines and, as at 30 June 2015, we offered more than 3,400 P&C insurance products, covering motor, accident and short-term health, commercial property, liability, marine hull, credit, engineering, cargo, specialty, household, agricultural and surety insurance. In terms of the Original Premium Income, motor insurance is our most important P&C insurance product. In recent years, focusing on profitable growth and customer services, we have been proactively promoting the transformation of our motor insurance business, and have established the quality monitoring system for our motor insurance business, carried out the business quality classification management, and enhanced the quality and profitability of the motor insurance. We have also expanded our non-motor insurance business and achieved breakthroughs in such areas as critical illness medical, plant, food safety liability and urban and rural residential buildings earthquake insurance.

With a team of professionals experienced in underwriting and claims settlement as well as strong support from our reinsurance business, we have competitive advantages in the underwriting of major construction projects in the PRC. For example, we have provided a package of insurance services to the Yangtze River Three Gorges Hydropower Project and engineering insurance to the Hong Kong-Zhuhai-Macau Bridge Project, the Middle Route Project of the South-to-North Water Diversion Project, the Eastern Route Project of the West-to-East Gas Transmission Project and construction projects involving major nuclear plants.

To adapt to the market trends of the primary P&C insurance industry, we have been developing new businesses. In 2011, we launched branded insurance solutions jointly with a well-known auto manufacturer on an exclusive basis, representing our first OEM branded insurance model in the PRC. In the second half of 2014, we launched the electronic insurance policy for statutory automobile liability insurance in Guangxi Province, representing the first application of electronic insurance policy in motor vehicle annual inspection. In 2014, we became one of five PRC P&C insurance companies authorised to operate short-term export credit insurance business. In 2015, we became the third PRC P&C insurance company authorised to sell personal loan surety insurance products. Meanwhile, we have established our business unit of personal loan surety insurance and have been promoting this business, issuing our first personal loan surety insurance policies in August 2015.

We have a nationwide distribution and service network for our primary P&C insurance business. As at 30 June 2015, our P&C insurance distribution and service network in the PRC consisted of approximately 1,890 branches and sub-branches, as well as other sales and service outlets, covering all of the PRC provincial level regions except for Tibet. As at the same date, we had an approximately 23,500 in-house sales force and approximately 24,600 individual insurance agents, and had business relationships with approximately 1,300 professional insurance agencies, approximately 6,500 ancillary insurance agencies and approximately 240 insurance brokers.

We have been developing telesales and online sales businesses. In 2007, we set up our centralised telesales centre with centralised operation and management, and achieved the coverage of the whole country except for Tibet and Qinghai for telesales in 2010. In 2012, we built our Internet portal that integrates marketing, sales, service and information management functions, and started our online sales business. In 2013, we set up our e-commerce business centre, integrating our telesales and online sales business, which aims to promote the integration of telesales and online sales and build a sales service platform featuring synergies between online and offline services.

Our primary P&C insurance business has an extensive customer base. As at 30 June 2015, our customers included approximately 13.873 million individuals and approximately 435,000 entities. We provide efficient and convenient services for customers by capitalising on our high-quality customer service system. We have formed a service network consisting of the customer service hotline 95590, on-site service offered by our adjusters from all over the country, counter service in numerous outlets, professional automotive service in cooperation with vehicle repair shops and road assistance companies, providing service support on a 365-days-a-year, 24-hours-a-day basis. Our 95590 customer service hotline has been awarded six times "China's Best Customer Contact Centre Award — customer service", jointly granted by China Call Centre, BPO industry information network 51callcenter, BPO Industry Alliance and 4PS Contact Centre ISO.

We cooperate with domestic and foreign institutions to improve our business. We have cooperated with one of the top three international credit insurance groups since 2006 and have maintained a close partnership with such group in various aspects ranging from underwriting to claims settlement, laying a solid foundation for the development of our credit insurance business. We entered into a group-wide strategic cooperation agreement with New China Life in 2011 to engage in cross-selling, achieving a positive outcome. In 2014 and the first half of 2015, our Original Premium Income generated from P&C insurance products sold by New China Life reached RMB213 million and RMB208 million, respectively. We believe that this strategic cooperation will foster the further growth of our business.

Our primary P&C insurance business received various awards and recognitions during the Track Record Period, including:

(i) 2012 Customer Satisfaction Award for Financial Institutions (2012年度消費者最滿意金融機構獎) granted by Reference News, the China Banking Association, Beijing Municipal Bureau of Financial Work, Beijing Insurance Association and other media and industry experts in 2012;

(ii) The Most Reliable P&C Insurance Company of 2013 (2013年度最受信賴財險公司) in the 11th Financial Annual Champion Awards sponsored by hexun.com in 2013;

(iii) China's Top 100 Brands of 2013 (2013中國品牌100強) in the 2013 Asia Brand Annual Meeting jointly sponsored by Asia Brand Association, Global Times and China Economic Herald in 2013; and

(iv) the 2014 Innovation Award for Auto Financial Service in Automobile Dealers Industry (2014中國汽車流通行業汽車金融服務創新獎) granted by China Automobile Dealers Association in 2014.

In 2012, 2013, 2014 and the first half of 2015, the net profit of our primary P&C insurance business was RMB708 million, RMB238 million, RMB873 million and RMB1,469 million, respectively, representing a CAGR of 11.0% from 2012 to 2014. For the same periods, the combined ratio was 98.32%, 103.19%, 99.84% and 97.92%, respectively, and the weighted average return on equity was 11.60%, 3.51%, 11.62% and 14.06% (not annualised), respectively.

With the healthy and rapid development of our business, we have maintained favourable financial results and our management capabilities have improved, as is recognised by international rating agencies. As at 30 June 2015, our solvency margin ratio was 240% under existing solvency regulations in the PRC. In 2014, we were rated by A.M. Best for the first time and received "A" with a stable outlook in financial strength rating and "a" with a stable outlook in issuer credit rating. We believe that such ratings reflect our robust financial strength and solid risk management capabilities, which position us well for the sustainable growth of our business.

Products

We provide a wide variety of P&C insurance products, including motor, accident and short-term health, commercial property, liability, marine hull, credit and other P&C insurance.

The following table sets forth the Original Premium Income from our primary P&C insurance business by product for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Motor	13,978	78.1%	15,683	79.0%	17,840	79.8%	10,391	78.6%
Accident and short-term health	1,367	7.6%	1,604	8.1%	1,717	7.7%	1,017	7.7%
Commercial property	795	4.4%	815	4.1%	882	3.9%	568	4.3%
Liability	684	3.8%	614	3.1%	685	3.1%	452	3.4%
Marine hull	341	1.9%	280	1.4%	283	1.3%	193	1.5%
Credit	100	0.6%	176	0.9%	267	1.2%	69	0.5%
Others(1)	637	3.6%	674	3.4%	684	3.0%	536	4.0%
Total	17,902	100.0%	19,846	100.0%	22,358	100.0%	13,226	100.0%

Note:

(1) Others include engineering, cargo, specialty, household, agricultural and surety insurance.

Since 2014, we have implemented the strategy of "Identifying, Controlling and Introducing" to improve the quality and profitability of our primary P&C insurance business. The strategy of "Identifying, Controlling and Introducing" means to identify high-quality business and customers by analysing historical data, to improve the quality of unprofitable businesses by optimising underwriting terms and conditions, and to bring in high-quality businesses through differentiated sales tactics. Such strategy has led to tangible benefits, as evidenced by a decline in the combined ratio of our P&C insurance business from 103.19% in 2013 to 97.92% in the first half of 2015.

The following table sets forth the loss ratio, expense ratio and combined ratio of our primary P&C insurance business by product for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
Loss ratio	60.17%	64.62%	59.03%	55.43%
Motor	61.70%	65.74%	58.58%	55.49%
Accident and short-term health	52.41%	59.89%	57.96%	53.24%
Commercial property	44.14%	61.88%	46.23%	49.46%
Liability	61.06%	59.55%	54.80%	50.51%
Marine hull	77.13%	62.21%	57.29%	52.28%
Credit	4.66%	94.08%	225.98%	(149.90)%[(1)]
Others	45.81%	44.23%	43.73%	64.16%
Expense ratio	38.15%	38.57%	40.81%	42.49%
Motor	37.40%	37.72%	39.56%	42.34%
Accident and short-term health	41.42%	38.92%	41.61%	37.46%
Commercial property	45.55%	49.88%	63.56%	59.45%
Liability	32.70%	40.82%	45.08%	40.92%
Marine hull	45.89%	47.88%	39.86%	28.65%
Credit	99.02%	31.31%	56.90%	5.77%
Others	46.06%	51.35%	51.77%	53.08%
Combined ratio	98.32%	103.19%	99.84%	97.92%
Motor	99.10%	103.46%	98.14%	97.83%
Accident and short-term health	93.83%	98.81%	99.57%	90.70%
Commercial property	89.69%	111.76%	109.79%	108.91%
Liability	93.76%	100.37%	99.88%	91.43%
Marine hull	123.02%	110.09%	97.15%	80.93%
Credit	103.68%	125.39%	282.88%	(144.13)%[(1)]
Others	91.87%	95.58%	95.50%	117.24%

Note:

(1) The loss ratio and the combined ratio of our credit insurance products for the six months ended 30 June 2015 were negative primarily due to the negative net premiums earned in such period, as we ceded to our reinsurers a portion of our credit insurance business written in the prior year.

Motor Insurance

According to the 2015 Annual Report of China's Insurance Market (2015中國保險市場年報), the Original Premium Income from motor insurance was RMB551.59 billion in 2014 in the PRC, accounting for approximately 73.1% of the aggregate Original Premium Income received by all PRC P&C insurance companies in the same year.

In terms of Original Premium Income, motor insurance is our most important P&C line of business, which includes commercial motor insurance and statutory automobile liability insurance. In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our motor insurance products was RMB13,978 million, RMB15,683 million, RMB17,840 million and RMB10,391 million, respectively, representing a CAGR of 13.0% from 2012 to 2014, and accounting for 78.1%, 79.0%, 79.8% and 78.6% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

With more than ten years of professional operation, we have accumulated extensive experience in underwriting motor insurance business and strong capabilities in risk selection and the monitoring of business quality. We evaluate the quality of the insured objects by using a tailored approach based on a variety of factors, such as NCD, vehicle-related factors, regions and owner-related factors, which provides the basis for accurate pricing and the formulation of underwriting guidelines. We use various risk factors and underwriting handling methods in our rule engine system to convert underwriters' experience into executable underwriting rules, to help ensure the execution and sophistication of our underwriting guidelines. We employ an underwriting process that enables automatic and efficient underwriting. We have established a quality monitoring system for our motor insurance business and developed a monitoring table based on business classification. Through key indexes such as the proportion of businesses in terms of premium, loss ratios and expense ratios, we monitor the business quality, business mix and resources allocation of our branches, providing strong technical support to our business optimisation and promoting the quality and profitability of our business.

We have established a motor insurance marketing system to achieve synergistic development of multi-channel businesses and built a marketing platform that integrates our online sales and telesales businesses to carry out targeted marketing. We have also deepened our personalised and customised cooperation with large car dealers, enhancing the efficiency of product sales. In addition, we have expanded our sales teams and optimised the allocation of our sales force to improve their sales and service capabilities. As a result, we have been able to enhance customer satisfaction and customer loyalty.

Commercial Motor Insurance

Our commercial motor insurance products primarily include loss and damage of private use, non-commercial use, commercial use, special vehicle, motorcycle and tractor, third-party liability, theft and robbery and motor vehicle pickup insurance, as well as diversified supplemental insurance products. In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our commercial motor insurance products was RMB9,556 million, RMB10,874 million, RMB12,204 million and RMB7,017 million, respectively, representing a CAGR of 13.0% from 2012 to 2014, and accounting for 68.4%, 69.3%, 68.4% and 67.5% of the aggregate Original Premium Income from all of our motor insurance products in the same periods, respectively.

The CIRC issued Direction on Deepening the Reform of Administrative System for the Clauses and Rates of Commercial Motor Insurance (關於深化商業車險條款費率管理制度改革的意見) and the Pilot Plan for Deepening the Reform of Commercial Motor Insurance Clauses and Rates Management System (深化商業車險條款費率管理制度改革試點工作方案) on 3 February 2015 and 20 March 2015, respectively, initiating the pilot programme relating to the reform for the commercial motor insurance clauses and rates in Heilongjiang, Shandong, Qingdao, Guangxi, Shaanxi and Chongqing. This reform is intended to be market-oriented and gradually grant and expand the discretion of insurance companies in terms of commercial motor insurance pricing. For further details of the market-oriented reform of commercial motor insurance and its impact on us, please see "Risk Factors — Risks Relating to the Reinsurance and Insurance Industries — Changes in the demand for motor vehicles in the PRC and the continuing changes in the regulation of motor insurance in the PRC could have a material adverse effect on our business, results of operations, financial condition and prospects." To proactively respond to the market-oriented reform of commercial motor insurance, we have enhanced our pricing and risk selection capabilities through such measures as the classification of individual motor insurance customers and the diversification of risk factors in motor insurance pricing.

Statutory Automobile Liability Insurance

Statutory automobile liability insurance is required for all motor vehicles in operation in the PRC, and covers bodily injury and property damage caused to third parties (other than the insured party or persons in the insured vehicle). In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our statutory automobile liability insurance products was RMB4,422 million, RMB4,809 million, RMB5,636 million and RMB3,374 million, respectively, representing a CAGR of 12.9% from 2012 to 2014, and accounting for 31.6%, 30.7%, 31.6% and 32.5% of the aggregate Original Premium Income from all of our motor insurance products in the same periods, respectively.

Accident and Short-term Health Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our accident and short-term health insurance products was RMB1,367 million, RMB1,604 million, RMB1,717 million and RMB1,017 million, respectively, representing a CAGR of 12.1% from 2012 to 2014, and accounting for 7.6%, 8.1%, 7.7% and 7.7% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our accident insurance primarily includes group accident insurance, personal accident insurance, group accident insurance for construction workers, accident insurance for students and children, which are primarily intended to safeguard the insured person against losses due to accidents. We have a rich array of accident insurance products to satisfy the various demands of our customers for accident protection. Our customer base is drawn from a wide range of industries while our products cover such diverse aspects as employment, livelihood, transportation, tourism and overseas travel. Meanwhile, we seek to improve our customer service. We provide travel assistance to travellers, security services for customers who travel abroad, and accident protection for personal motor insurance customers and their family members. Starting from 2013, we use the "vehicle+person" hybrid sales model and sell the accident insurance products to motor insurance customers through telephone, Internet and car dealers as the major channels. This sales model has developed rapidly since its inception. In the first half of 2015, we provided personal accident insurance to more than 70,000 motor insurance customers and their family members each month on average, with the Original Premium Income per month exceeding RMB10 million on average.

Our short-term health insurance products primarily include outpatient medical, hospitalisation medical, global medical and critical illness medical insurance, which are primarily intended to protect the insured against losses due to health reasons. We have a variety of short-term health insurance products and provide various types of disease and health services for our customers. In 2005, we started to operate global medical insurance business and provided medium and high-end customers with medical insurance direct payment service covering tens of thousands of medical institutions (including over 400 public and private hospitals and clinics in major cities in the PRC). As at 30 June 2015, we had provided more than 50,000 customers with insurance services relating to outpatient, hospitalisation, medical assistance, health checks and other aspects worldwide. In addition to offering a variety of health insurance products to group and individual customers, we seek to proactively participate in handling businesses for social security. We are committed to providing high-quality health management services. We aim to provide comprehensive health protection by establishing contracted hospital service network and medical service channels and by offering a variety of consulting and assistance services.

Commercial Property Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our commercial property insurance products was RMB795 million, RMB815 million, RMB882 million and RMB568 million, respectively, representing a CAGR of 5.3% from 2012 to 2014, and accounting for 4.4%, 4.1%, 3.9% and 4.3% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our commercial property insurance products primarily consist of basic property, comprehensive property, all-risks property, machinery breakdown and business interruption insurance, covering major natural hazards and perils such as fire, explosion and accidental damages. In addition, we provide blanket P&C insurance products, including cash, comprehensive highway, retail service and construction equipment insurance to give all-round protection to our corporate customers.

In our commercial property insurance business, we balance scale with profitability. We have formulated differentiated underwriting guidelines applicable to different industries based on their respective risk levels. We implement channel management on corporate customers by classifying them into different categories and managing customer relationships through different channels.

Liability Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our liability insurance products was RMB684 million, RMB614 million, RMB685 million and RMB452 million, respectively, representing a CAGR of 0.1% from 2012 to 2014, and accounting for 3.8%, 3.1%, 3.1% and 3.4% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our liability insurance products primarily include public liability, employers' liability, product liability, professional indemnity and other liability insurance, which are primarily intended to protect the insured against financial compensation liability owed towards the victim under the law.

We seize the opportunities presented by the New Ten Guidelines and focus on the development of liability insurance related to people's livelihood and new liability insurance business arising from the transformation of the government's role in social management in the PRC. We maintain close cooperation with government agencies in food safety liability insurance, comprehensive liability insurance for pension institutions, environmental pollution liability insurance, public liability insurance for natural disasters, public safety comprehensive liability insurance and comprehensive insurance for prototype equipment and continue to design and optimise insurance plans to meet market demand. We have strengthened our cooperation with Internet platforms in flight delay insurance and automobile extended warranty insurance.

Marine Hull Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our marine hull insurance products was RMB341 million, RMB280 million, RMB283 million and RMB193 million, respectively, representing a CAGR of -8.9% from 2012 to 2014, and accounting for 1.9%, 1.4%, 1.3% and 1.5% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our marine hull insurance products include hull, fishing-boats, protection and indemnity, and container insurance, in which hull insurance covers major natural hazards and perils such as fires, explosions, collisions and overturning. In 2013, we launched ship-owner protection and indemnity insurance to cover liabilities excluded from traditional marine hull insurance, which include personal death, injury and illness, pollution, wreck removal, cargo liability under bill of lading or bill of freight, personal injury under collision liability, sue-and-labour as well as legal expenses.

We provide insurance coverage for coastal and ocean vessels operated by medium and large state-owned shipping companies. Meanwhile, we selectively offer coastal and inland marine insurance to well-run small and medium shipping companies. Our worldwide marine hull insurance agency network is capable of offering professional and comprehensive shipping insurance services to customers. In order to further develop our marine hull insurance business, we started our shipping insurance operation centre in August 2014, promoting specialised operation of marine-related insurance.

Credit Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our credit insurance products was RMB100 million, RMB176 million, RMB267 million and RMB69 million, respectively, representing a CAGR of 63.4% from 2012 to 2014, and accounting for 0.6%, 0.9%, 1.2% and 0.5% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our credit insurance products primarily include domestic short-term trade credit, short-term export credit, loans credit and mobile communications consumption credit insurance, covering the risk associated with the failure of creditors (seller, lender) to recover accounts receivable or loan receivables in time.

Since 2006, we have cooperated with one of the top three international credit insurance groups and have maintained a close partnership with such group in various aspects ranging from underwriting to claims settlement. Our credit insurance premiums have grown rapidly. In 2014, we became one of five PRC P&C insurance companies authorised to operate short-term export credit insurance business. The development of credit insurance has not only enhanced our reputation and brand awareness within the industry but also laid a foundation for our other primary P&C insurance business. For example, the operation of export credit insurance business opened up new channels for traditional export cargo insurance, enhancing our ability to provide comprehensive risk protection programme for our large customers.

Engineering Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our engineering insurance products was RMB161 million, RMB208 million, RMB259 million and RMB198 million, respectively, representing a CAGR of 26.8% from 2012 to 2014, and accounting for 0.9%, 1.0%, 1.2% and 1.5% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our engineering insurance products primarily include construction all-risks and erection all-risks insurance, covering major natural hazards and perils such as fires, explosions and construction accidents.

We focus on key projects in the PRC in the development of our engineering insurance business. We proactively participate in the underwriting of various projects, depending on the risk of the project and under the premise of controllable risks. With solid underwriting capacity, we provide coverage for major construction projects in the PRC, including the Hong Kong-Zhuhai-Macau Bridge Project, the Middle Route Project of the South-to-North Water Diversion Project, the Eastern Route Project of the West-to-East Gas Transmission Project and the construction projects involving major nuclear plants.

Cargo Insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our cargo insurance products was RMB214 million, RMB192 million, RMB174 million and RMB109 million, respectively, representing a CAGR of -9.8% from 2012 to 2014, accounting for 1.2%, 1.0%, 0.8% and 0.8% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our cargo insurance products primarily include highway cargo, railway cargo, import and export cargo and air freight insurance, covering major natural hazards and perils such as fires and explosions.

We sell cargo insurance to large and medium-size enterprises in the PRC through insurance brokers and insurance agencies. In order to further improve the efficiency and quality of cargo insurance service, we have introduced the E-cargo online insurance application system, which allows our customers to obtain their insurance policies faster and more easily.

Specialty insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income of our specialty insurance products was RMB118 million, RMB115 million, RMB113 million and RMB70 million, respectively, representing a CAGR of -2.1% from 2012 to 2014, and accounting for 0.7%, 0.6%, 0.5% and 0.5% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our specialty insurance products primarily include aviation and aerospace insurance and energy insurance.

Under the premise of controllable risks, we participated in insurance projects in special industries such as aircraft and offshore oil so as to accumulate experience for special risk underwriting and to train technical personnel for those special industries, which is expected to lay a foundation for the further development of such businesses.

Household insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income of our household insurance products was RMB80 million, RMB67 million, RMB64 million and RMB32 million, respectively, accounting for 0.4%, 0.3%, 0.2% and 0.2% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our household insurance products primarily include ordinary household and individual housing mortgage insurance, covering major natural hazards and perils such as fires and explosions.

The focus of our household insurance has gradually shifted from individual housing mortgage insurance to ordinary household insurance. We provide families with various kinds of property risk protection through different channels and in different forms, including traditional insurance policy, electronic insurance policy and insurance cards. Apart from traditional sales channels, we are gradually strengthening our telesales and online sales to provide a wide range of services for customers.

Agricultural insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premiums Income of our agricultural insurance products was RMB57 million, RMB80 million, RMB62 million and RMB115 million, respectively, accounting for 0.3%, 0.4%, 0.2% and 0.9% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our agricultural insurance products primarily include policy-supported agricultural and commercial agricultural insurance. Policy-supported agricultural insurance products include plant insurance, livestock and aquaculture insurance and forest insurance. Commercial agricultural insurance products primarily include livestock and aquaculture insurance and forest insurance. Plant insurance and forest insurance cover the losses of crops or forests caused by natural disasters such as storms, floods and typhoons, illness or pests. Livestock and aquaculture insurance offers protection against the losses resulting from the death of livestock caused by natural disasters or diseases.

Capitalising on the opportunities provided by PRC Government policies addressing agriculture, rural areas and farmers, we are vigorously expanding our policy-supported agricultural insurance. Based on the development of agriculture and rural areas, we continue to develop innovative insurance products, including price index insurance for potatoes. We have also expanded our professional team for agricultural insurance and continued to improve our capabilities for operating agriculture-related insurance.

Surety insurance

In 2012, 2013, 2014 and the first half of 2015, the Original Premiums Income of our surety insurance products was RMB7 million, RMB12 million, RMB12 million and RMB12 million, respectively, accounting for 0.1%, 0.1%, 0.1% and 0.1% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

Our surety insurance products primarily include loan surety insurance, which covers the loss incurred by the insured due to the failure of the borrower to repay the loan in accordance with the loan contract.

We have steadily carried out surety insurance for loans. In order to control our risk, we primarily select customers with good records of credit. We have expanded and deepened our cooperation with various financial institutions in performance surety insurance. In January 2015, we became the third PRC P&C insurance company authorised to sell personal loan surety insurance products. We have established our business unit of personal loan surety insurance and have been promoting this business, issuing our first personal loan surety insurance policies in August 2015.

Distribution

We market and distribute our P&C insurance products through a multi-channel nationwide network. As at 30 June 2015, our distribution network for P&C insurance products consisted of:

- approximately 24,600 individual insurance agents, approximately 1,300 professional insurance agencies and approximately 6,500 ancillary insurance agencies;
- approximately 1,890 branches and sub-branches, as well as other sales and service outlets, covering all of the PRC provincial level regions except for Tibet, and an approximately 23,500 in-house sales force;
- approximately 240 insurance brokers; and
- sales hotline 4009666666 and online sales portal at www.95590.cn.

Insurance agents and direct sales are the two most important distribution channels for our P&C insurance products in terms of Original Premium Income. Individual insurance agents and direct sales are the two distribution channels that we can directly manage and control. In 2012, 2013, 2014 and the first half of 2015, the aggregate Original Premium Income attributable to sales by our individual insurance agents and direct sales was RMB10,470 million, RMB11,885 million, RMB14,163 million and RMB8,742 million, respectively, accounting for 58.5%, 59.9%, 63.3% and 66.1% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

The following table sets forth a breakdown of the Original Premium Income from our primary P&C insurance business by distribution channel for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Insurance agents	11,754	65.7%	12,373	62.3%	13,093	58.6%	6,796	51.3%
Individual insurance agents	5,422	30.3%	5,662	28.5%	6,244	27.9%	3,167	23.9%
Ancillary insurance agencies	4,608	25.7%	4,848	24.4%	4,909	22.0%	2,486	18.8%
Professional insurance agencies	1,724	9.7%	1,863	9.4%	1,940	8.7%	1,143	8.6%
Direct sales	5,048	28.2%	6,223	31.4%	7,919	35.4%	5,575	42.2%
Insurance brokers	1,100	6.1%	1,250	6.3%	1,346	6.0%	855	6.5%
Total	17,902	100.0%	19,846	100.0%	22,358	100.0%	13,226	100.0%

Insurance Agents

Insurance agents are the most important distribution channel for our P&C insurance products in terms of Original Premium Income during the Track Record Period. Insurance agents sell our P&C insurance products on commission basis and include individual insurance agents, ancillary insurance agencies and professional insurance agencies.

Individual insurance agents are individuals who enter into agency agreement with us. We are responsible for their recruitment, training, and management. We attach great importance to the training of our individual insurance agents and have adopted a training plan based on a mentoring system featuring on-the-job training and specially organised workshops. We have organised training programmes on corporate culture, professional ethics, specialised knowledge and marketing skills, among others. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had approximately 26,900, 26,500, 24,700 and 24,600 individual insurance agents, respectively.

Ancillary insurance agencies are companies or organisations that primarily engage in a business other than the insurance agency business but use their distribution channels to sell insurance products of the insurance companies they represent. Our ancillary insurance agencies for P&C insurance include car dealers, PSBC and other commercial banks, life insurance companies, financing guarantee companies, and other non-bank financial institutions. We typically use ancillary insurance agencies to sell standard or fixed-price insurance policies that do not require complicated underwriting skills or negotiation. We have professional instructors that provide training to our ancillary insurance agencies on a regular basis to ensure that their sales personnel are familiar with our P&C insurance products and to improve their professional qualities and marketing skills. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we sold our P&C insurance products through approximately 7,500, 6,900, 6,400 and 6,500 ancillary insurance agencies, respectively. Among those agencies, car dealers are important distribution channels for our motor insurance (especially family-use motor insurance). As at 30 June 2015, we had in place close cooperation with approximately 2,100 car dealers. We entered into a group-wide strategic cooperation agreement with New China Life in 2011 to engage in cross-selling, achieving a positive outcome. In 2014 and the first half of 2015, our Original Premium Income generated from P&C insurance products sold by New China Life reached RMB213 million and RMB208 million, respectively.

Professional insurance agencies are institutional intermediaries established in accordance with relevant PRC laws and regulations that engage in insurance agency business within the scope of authorisation provided by the insurers they represent. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had entered into P&C insurance agency contracts with approximately 1,000, 980, 1,200 and 1,300 professional insurance agencies, respectively.

Direct Sales

We conduct the direct sales of our primary P&C insurance business through our in-house sales force that work at our P&C insurance branches and sub-branches, our customer service hotline 95590, telesales hotline 4009666666 and online sales platform at www.95590.cn. As at 31 December 2012, 2013 and 2014 and 30 June 2015, our primary P&C insurance business had approximately 1,770, 1,800, 1,840 and 1,890 branches and sub-branches, respectively.

Our in-house sales force is responsible for selling our P&C insurance products directly to customers, especially those products with complex terms, high risks and possibly complicated underwriting procedures. We provide our in-house sales force with mobile sales supporting tools to enhance their selling efficiency. Our in-house sales force is one of the main channels through which we maintain long-term relationships with our P&C insurance customers. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had an in-house sales force for P&C insurance of approximately 10,900, 12,000, 16,400 and 23,500 persons, respectively.

We commenced our telesales in 2007, and achieved the coverage of the whole country except for Tibet and Qinghai for telesales in 2010. We were the second P&C insurance company in the PRC authorised to sell dedicated telesales products of motor insurance. Our current sales hotline is 4009666666. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had approximately 2,000, 2,200, 5,200 and 8,300 telesales seats, respectively, representing a CAGR of 60.7% from 2012 to 2014. As at 30 June 2015, our nationwide distribution network of 35 provincial branches, over 380 third-level institutions and more than 1,300 fourth-level institutions has provided strong support for the rapid development of our telesales business. We have operated three telesales workplaces in Shanghai, Shandong and Jiangsu; our telesales workplace in Guangdong is pending final CIRC inspection and approval before commencing its operation; and we are in the process of preparing the establishment of another telesales workplace in Hunan. We will continue to increase our investment in telesales channels and increase the number of telesales personnel so as to promote the continued increase in premiums from telesales.

We consider emerging channels such as the Internet as our strategic growth channels and we commenced our online sales in 2012. Our online sales channels primarily consist of our E-commerce platform, external E-commerce platform, online customers acquisition platform and mobile Internet. We have different forms of cooperation with external E-commerce platforms and Internet companies, including Taobao, Netease, 58.com and yiche.com, so as to acquire online customers on their platforms. Meanwhile, we have been developing mobile Internet products, including our recently launched "Continent Tongbao" APP and "Pocket Money" APP. The market promotion of mobile Internet products is carried out by our direct sales team to give us direct access to customer resources. In 2013, we set up our e-commerce business centre, integrating our telesales and online sales business, which aims to promote the integration of telesales and online sales and build a sales service platform featuring synergies between online and offline services. We have established our online sales team consisting of professionals specialised in product development, data analysis, marketing and channel expansion. In addition, we have gained the approval from the CIRC to establish our e-commerce company as the development and innovation platform for Internet insurance so as to gain first-mover advantages in this area.

In 2012, 2013, 2014 and the first half of 2015, the aggregate Original Premium Income attributable to telesales and online sales was RMB2,849 million, RMB4,013 million, RMB5,424 million and RMB3,574 million, respectively, representing a CAGR of 38.0% from 2012 to 2014.

Insurance Brokers

We also market and sell P&C insurance products through insurance brokers. Brokerage firms typically represent corporate entities seeking insurance products and have valuable customer resources. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we marketed our P&C insurance products through approximately 220, 230, 250 and 240 insurance brokers, respectively.

Customer and Customer Services

Customer

We have an extensive P&C insurance customer base. As at 30 June 2015, we had approximately 13.873 million individual customers and approximately 435,000 institutional customers. In 2012, 2013, 2014 and the first half of 2015, the Original Premium Income from our top five customers accounted for 1.2%, 1.1%, 1.2% and 1.0% of the aggregate Original Premium Income from our primary P&C insurance business in the same periods, respectively.

The following table sets forth our customer base during the Track Record Period:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(in thousands)			
Number of individual customers[1]	10,582	12,958	17,342	13,873
Number of institutional customers[2]	472	428	425	435

Notes:

(1) Represents the aggregate number of the individual customers as policyholders or the insured holding unexpired insurance policies as at the date indicated, without duplicated calculation of the same customer. Unexpired insurance policies refer to those already issued as at the date indicated and expiring after the date indicated.

(2) Represents the aggregate number of the institutional customers as policyholders or the insured holding unexpired insurance policies as at the date indicated, without duplicated calculation of the same customer. Unexpired insurance policies refer to those already issued as at the date indicated and expiring after the date indicated.

Our brand recognition, extensive distribution network and strong business teams have enabled us to establish a solid market position in certain parts of the PRC. We ranked 4th in Yunnan, Ningxia and Gansu, and 5th in Shanghai, Inner Mongolia, Tianjin, Jiangxi, Jilin, Hainan and Qinghai in terms of market share measured by Original Premium Income in the first half of 2015.

The following table sets forth the Original Premium Income from our primary P&C insurance by geographical region during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
Region	**2012**	**2013**	**2014**	**2015**
	(RMB in millions)			
Shandong	1,589	1,761	2,096	1,191
Zhejiang	1,735	1,850	1,956	1,129
Yunnan	964	1,320	1,825	1,014
Shanghai	1,112	1,197	1,274	851
Guangdong	1,018	1,120	1,228	719
Inner Mongolia	1,031	1,035	1,130	722
Sichuan	823	915	994	572
Jiangsu	909	896	877	531
Hebei	665	820	792	434
He'nan	574	694	774	454
Others	7,482	8,238	9,412	5,609
Total	17,902	19,846	22,358	13,226

Customer Services

As at 30 June 2015, we had established an extensive customer service network consisting of approximately 1,890 branches and sub-branches, as well as other sales and service outlets, covering all of the PRC provincial level regions except for Tibet. We provide standardised and efficient services to our customers through our nationwide service network.

We set up 95590, our national united customer service centre, in 2005, which was the first P&C insurance call centre to adopt a nationwide centralised working process in the PRC. As at 30 June 2015, we had approximately 280 staff at our 95590 customer service centre, providing diversified services including loss reporting, policy search, inquiries and customer complaints handling on a 365-days-a-year, 24-hours-a-day basis throughout the PRC. In 2008, 2010, 2011, 2012, 2013 and 2014, respectively, our 95590 customer service hotline was awarded "China's Best Customer Contact Centre Award — customer service", jointly granted by China Call Centre, BPO industry information network 51callcenter, BPO Industry Alliance, and 4PS Contact Centre ISO.

Our portal website at www.ccic-net.com.cn is also an important part of our customer service system, through which customers are able to learn about our various products and services. We have also launched official accounts on Weibo and WeChat as an innovative brand marketing and customer service channels as well as platforms collecting opinions and suggestions from customers. We also provide various services such as online enquiry of underwriting and claims information, inquiries and customer complaints handling, claim guidance and branch enquiry through our official WeChat account.

We strive to establish a comprehensive and convenient customer service system that meets our customers' expectations. We are the first P&C insurance company in the PRC to achieve nationwide unified claims settlement and online enquiry of underwriting and claims information. We have developed and utilised the RAS (rapid damage assessment system) to speed up customer service. We have also promoted value-added services, including nationwide free non-accident road assistance, document-free motor insurance claims settlement and door-to-door document collection services so as to provide 24-hour service to our customers. We continue to improve our operational system and enhance the quality of our customer service, providing ongoing support for our business development.

We seek to improve our customer service system over time. We introduced the "Continent Tongbao" APP as the new platform providing lifecycle service for customers, which has enabled us to provide customers with such services as point rewards, self-service underwriting and claims survey and settlement, information enquiry and customer manager interactive services so as to better meet customer demand in the mobile Internet era and enhance customer experience.

We launched the customer relationship management (CRM) system project in 2009 and established a customer information facility, which enabled us to implement the customer-oriented information management, establish a 360-degree integrated customer view and manage customer information with "one system file for one customer". As at 30 June 2015, our database consisted of the information of over 10 million individual insurance customers with in-force policies and a large number of former customers, providing data support for customer management across lines of business. In 2014, we started to classify our individual customers of motor insurance and provided value-added services, including annual vehicle inspection, driving services after alcohol consumption and free car washing for customers with high star ratings. The renewal rate of four-star customers[1] reached 71.4% in 2014, an increase of over 10 percentage points from 2013, and the renewal rate of five-star customers[2] reached 80.0% in 2014, an increase of over 15 percentage points from 2013.

Product Development and Pricing

Product Development

We comply with regulations promulgated by the CIRC regarding insurance products and have formulated and implemented internal rules and policies for product development to achieve the standardised management of our product development. We closely follow the changes in market trends and customer preferences through market research and information collection. Products with nationwide market potential are designed and developed by the headquarters of China Continent Insurance, while products with regional appeal are designed and developed by provincial branches and are submitted to the headquarters for approval. We have adopted a centralised reporting system for our product development. All products need to be reviewed and approved by the headquarters and then submitted to the CIRC for approval or filing. The branches of China Continent Insurance are not permitted to introduce, modify or develop P&C insurance products without approval from the headquarters of China Continent Insurance.

We accelerated the establishment of product development platform and devoted more resources to product development. In 2012, we set up a strategic business fund primarily for the development of strategic business and key channels, enhancing our fundamental capabilities and competitiveness in our core business areas and potential channels. In 2013, we set up a fund for innovative research, which aimed to finance our employees or department to conduct intensive study on key issues, projects and products and propose solutions. Some research results of the innovative research fund have been applied in our operations. In 2014, we established our leadership team for product innovation, led by the general manager of China Continent Insurance, committing ourselves to formulating and carrying out the work plan for product innovation. As at 30 June 2015, the leadership team for product innovation had launched pilot programmes for ten innovative products, among which nine had been commercialised. To further integrate our resources of innovation, we set up the department of innovation and product development in 2015. Several project teams have been established by key personnel from the headquarters and branches of China Continent Insurance to promote product innovation on a project-by-project basis.

---

1 Refers to motor insurance customers (i) (A) who have renewed insurance for three or more years consecutively, (B) who have filed no more than one claim for the immediately previous year, and (C) whose motor insurance loss ratio is no more than 40% for the most recent three years, or (ii) (A) who have renewed insurance for two or more years consecutively, (B) who have filed no claim for the immediately previous year, and (C) whose motor insurance loss ratio is less than 40% for the most recent two years.

2 Refers to motor insurance customers (i) who have renewed insurance for three or more years consecutively, (ii) who have filed no claim for the most recent three years and (iii) whose average original premium income is above RMB3,000 for the most recent three years.

Benefiting from our extensive distribution network and strong product development team, we have built up our strengths in product development and innovation. Our nationwide distribution network and extensive business operations have led to potential needs for developing diverse products on an ongoing basis. Our experienced actuarial, underwriting, claims settlement and legal teams provide strong support for our product development.

Following the customer-oriented development philosophy, we continue to improve our product innovation capabilities and are committed to providing innovative products that satisfy customer demand and adapt to evolving market trends. In 2013, our "motor vehicle extended warranty liability insurance" product was awarded the "Innovation Award for Business Service Mode of China Automobile Dealers Industry" granted by the China Automobile Dealers Association. This product primarily covers the extended warranty liability following the expiration of the original warranty period. In 2013, we developed medical insurance product for students studying overseas. This product was first provided for students studying in North America, offering comprehensive protection covering hospitalisation and outpatient service, overseas accidental injury, supplementary medical expense, global emergency assistance, travel inconvenience and study interruption and providing bilingual services in Chinese and English through call centers in North America. In 2014, we launched the car lessee liability insurance business. Based on the insurance agreement, we compensate for the liability of the lessee arising from accidents during the leasing of the car that resulted in property damage, death or bodily injury to the car lessor or a third party. Our credit card theft insurance products can compensate for the financial loss resulting from the loss, theft and hacking of credit cards or Internet theft as specified in the insurance contract.

Pricing

In accordance with the CIRC requirements, for insurance products involving public interests, compulsory insurance products and some innovative products, the policy terms and premium rates are subject to prior review and approval by the CIRC. The formulation and material modification of policy terms and premium rates of other insurance products do not require prior approval from the CIRC, but must be filed with the CIRC for record within 10 business days after the operation and use of such products commenced. We price our P&C insurance products according to generally accepted actuarial principles and relevant CIRC regulations, and we adopt different pricing methods and strategies according to the insured liabilities of different insurance products and terms and the features of the insured objects. We price our products after taking into consideration various factors including the loss cost of pure risk for different insured objects, cost of sales, administrative expenses, taxes and underwriting profit. We regularly track and monitor the market performance and implementation of premium rates of products, analyse relevant underwriting and claims data and adjust product pricing when necessary.

As at 30 June 2015, the actuarial team for China Continent Insurance comprised 16 dedicated professionals, including three credentialed Casualty Actuarial Society (CAS) actuaries and ten China Actuarial Association (CAA) actuaries or associate actuaries. Members of our actuarial team are experienced, five of whom have over ten years of actuarial experience. In addition, we have a specialised data mining and analysis team, covering data mining and analysis ranging from basic data platform to advanced data mining, which provides strong technical support in pricing.

We believe that we are among the pioneers in terms of studying and using generalised linear model for the pricing of motor insurance among primary P&C insurance companies in the PRC. Through cooperation with a number of consulting firms, we analyse data using a set of actuarial and statistical software so as to build and improve our pricing models. In 2014, we started to classify our individual customers of motor insurance and introduced new pricing risk factors such as customers' continuous years of insurance with us, number of accidents, and the average amount of claim payment for each accident. Such measures improved our ability for differential pricing and risk selection and prepared us for the market-oriented reform of commercial motor insurance. Through portfolio analysis of the number of claim events and claim payments or loss ratios, we carried out an in-depth study of risk categories involving different claim payments and claim events, enhancing our pricing and risk identification capabilities.

Underwriting

We have implemented a centralised underwriting management model and established a two-tiered underwriting platform comprised of the headquarters and the provincial branches of China Continent Insurance. We implement differentiated authorisation management for different regions and different insurance products, and strengthen our control over underwriting terms and conditions, particularly over business with high-risk or low profitability so as to improve our business quality and optimise our business mix.

Capitalising on our extensive underwriting database, we have compiled an underwriting manual to refine our underwriting guidelines, terms and conditions for different types of insurance products. We have established accurate and executable underwriting guidelines and standardised operating procedures so as to strengthen our risk identification and management capabilities and improve our business profitability.

We control underwriting authority of the headquarters and branches through an efficient information technology system. On the one hand, we implement automatic and efficient underwriting workflow through our underwriting operation system. We implement classified underwriting management and match the risk of the business with the technical skills of the underwriter via the task allocation function of such system. Senior underwriters focus on the risk identification and the design of insurance plans for complex business. On the other hand, we achieve the direct participation of business personnel in the management of underwriting rules and flexible configuration of automatic underwriting conditions by using the rule engine system. By introducing more risk factors into the rule engine system, we seek to improve the accuracy and efficiency of underwriting.

We have an experienced professional underwriting team. As at 30 June 2015, our underwriting team consisted of 863 members in aggregate with an average working experience of 13 years, of which more than 50% had working experience of over ten years. We have established professional qualification exams and appointment mechanisms for our underwriting team in an effort to enhance their professional expertise.

We have established a sound risk diversification and management mechanism. In particular, we implement rigorous risk management over insurance policies with extraordinary liabilities. We set our maximum retention amount, and make reinsurance arrangements for the portion exceeding our retention amount. For businesses with extraordinary liabilities that exceed the underwriting capacity of a reinsurance treaty, we will further arrange facultative reinsurance to ensure that the retention is within an acceptable limit. We have formulated dedicated business management regulations on seismic risk to control and monitor aggregate limits in key zones regularly.

For major projects or the industry's blanket insurance projects, we have access to the underwriting technique and pricing support from our reinsurers, which enables us to identify complex risks in a timely manner and make optimal underwriting decisions accordingly.

Claims Settlement

We have established a three-tiered claims settlement system comprising the headquarters, the branches and central sub-branches to achieve all-round management of claims settlement. The headquarters is responsible for systematic management over claims settlement, including the formulation and implementation of policies and the establishment of management systems of claims settlement for all types of our P&C insurance products, optimisation of claims settlement process, data analysis and supervision, reform and improvement of the claims settlement system. In particular, the claims settlement unit is responsible for motor claims settlement, while non-motor insurance departments are responsible for non-motor claims settlement. Each of the branches and central sub-branches is responsible for managing claims settlement of its lower-level outlets according to the provisions on claims settlement set by the headquarters and handles the specific claims.

We implement differentiated authorisation management that takes into consideration specific nature of branches and claims personnel. The headquarters grants different authority on different phases and aspects of claims settlement to the branches, based on their claims settlement capabilities, risk control capabilities and operating performance. The branches grant different approval authority on different amounts or different types of claims to claim-handling personnel, based on their professional skills and evaluations. Through such differentiated authorisation system, we are able to strengthen selected stages in the claims settlement process as needed and improve its overall efficiency.

We attach great importance to managing the quality of claims settlement so as to strictly control the losses resulting from improper claims settlement practices and fraud risk. We adopt centralised management at the headquarters and branches, which handle loss adjustment and personal injury evaluation as well as claims examination of motor vehicles, intended to ensure the quality of claims settlement. We have established a risk control system for claims settlement, setting up mechanisms including claims file review and accountability, data analysis and monitoring, classified supervision and performance evaluation so as to strictly control and lower costs for claims settlement. We use an anti-fraud model embedded in claims settlement system to accurately identify high risk cases and guard against claims leakage or fraud risk. We cooperate with third parties including domestic and international major loss adjusters, data suppliers for the prices of major parts and major auction companies for residual value of finished motor vehicles to ensure the accuracy, fairness and equality of claims settlement. We regularly carry out special audits for claims settlement to improve our claims management capabilities.

We are committed to developing a comprehensive claims settlement service system and to improving the claims settlement experience of our customers. As at 30 June 2015, we had a claims service network nationwide with approximately 5,000 claims personnel working on all lines of business and approximately 2,700 claim service vehicles. We provide claims service for motor insurance nationwide and online claims settlement inquiry service to offer our customers with convenient and effective claims service and ensure the standardisation of such service. We provide survey service on a 365-days-a-year, 24-hours-a-day basis. We have simplified the settlement procedures for small amount motor insurance claims. For motor insurance claims settlement involving RMB3,000 or less, without personal injury and with clearly-defined insurance liabilities, we make the payment within one business day. We also provide free non-accident road assistance service to our motor insurance customers. The efficiency of our claims settlement had improved during the Track Record Period. The average claims settlement turnover for motor insurance claims below RMB10,000 decreased from 17.18 days for claims settled in 2012 to 11.85 days for claims settled in the first half of 2015. In 2014, our motor insurance claims settlement services was awarded the ISO9001 and ISO14001 certificates by the United Kingdom Accreditation Service (UKAS), an international certification organisation, signifying the international recognition of our standardised motor insurance claims settlement service.

We offer loss and disaster prevention service to non-motor insurance customers, helping them to enhance their risk management and lower the insurance loss occurrence rate. We have established the emergency plan for claims settlement of catastrophe loss for non-motor insurance. When large claims are filed or disasters happen, we will expedite claims settlement and simplify its process to ensure that the insured and victims are compensated timely. We also provide maritime guarantee for our marine hull insurance customers. When collision, contact, environmental pollution or other accident occurs, we will offer this service to the third-party claimant for the insured if the warranty liabilities have been preliminarily affirmed.

Reinsurance

We cede a certain portion of the P&C insurance risks we underwrite to reduce our risk exposures, improve our insurance underwriting capacity, maintain the business stability and control and reduce potential business volatilities.

We determine the retention amount per risk of all of our P&C insurance products based on the relevant PRC insurance laws and regulations, the needs of our business development and the characteristic of different insurance products. In case the overall liability per risk exceeds 10% of the sum of paid-in capital and the capital reserve of China Continent Insurance, we are required to arrange reinsurance for the excess portion.

The following table sets forth our typical maximum retention amounts per risk for some of our major P&C insurance products as at 30 June 2015:

P&C Insurance Products	Maximum retention
	(RMB in millions)
Motor	27.5
Commercial property	500
Engineering	430
Liability	80
Cargo	60
Marine hull	40
Accident and short-term health	18

Our P&C reinsurance arrangements include proportional treaty reinsurance, non-proportional treaty reinsurance and facultative reinsurance. We have adopted the proportional reinsurance arrangement for various insurance products including motor insurance. We cede our premiums according to the agreed proportion in the reinsurance treaty so as to maintain the automatic underwriting capacity and stable solvency. We arrange facultative reinsurance for businesses beyond the coverage of the reinsurance treaty and exceeding the automatic treaty underwriting capacity so as to promote the development of our business.

We assess the competency of reinsurance companies based on their capital strength, solvency and ratings, and select our reinsurers carefully after taking into consideration various factors such as quality of service, terms of coverage, efficiency of claims settlement and price. In general we only enter into reinsurance arrangements with PRC insurance / reinsurance companies with proven track records or international reinsurance companies with a rating of A- or above by internationally recognised rating agencies.

In 2012, 2013, 2014 and the first half of 2015, we ceded Original Premium Income of RMB1,834 million, RMB2,024 million, RMB1,931 million and RMB1,201 million, respectively, accounting for 10.2%, 10.2%, 8.6% and 9.1% of the aggregate Original Premium Income from our primary P&C insurance business during the same periods, respectively, to reinsurers. The aggregate Original Premium Income ceded to our top three reinsurers accounted for 64.6%, 65.3%, 63.9% and 61.3%, respectively, of the total Original Premium Income we ceded to reinsurers during the same periods.

The following table sets forth certain information about our P&C insurance policies with extraordinary liabilities and related reinsurance arrangements as at 30 June 2015:

No.	Customer / Applicant	Sum Insured	Type of Insurance	Major Reinsurer	Cession Ratio
		(RMB in millions)			
1	Commercial Bank A	776,951	Liability insurance[1]	China Re P&C, Hannover Rück, Munich Re	20%
2	Commercial Bank A	767,660	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
3	Commercial Bank A	756,230	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
4	Commercial Bank A	743,337	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
5	Commercial Bank A	729,526	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
6	Commercial Bank A	724,626	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
7	Public nine-year compulsory education schools in B Province	472,253	Liability insurance [1]	China Re P&C, Hannover Rück, Munich Re	20%
8	Social Security Administration of County C	196,613	Accident and short-term health insurance [1]	—	—
9	Medical Insurance Administration of County D	173,014	Accident and short-term health insurance [1]	—	—
10	Medical Insurance Administration of County E	149,783	Accident and short-term health insurance [1]	—	—

Note:

(1) As the number of insured is relatively large for each policy of liability insurance and accident and short-term health insurance listed in the table above, and the insurance amount and liability per risk is relatively low, the cession ratio is relatively low or no reinsurance has been arranged.

Reserves

The following discussion relates to the determination of our P&C insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS.

Our insurance contract reserves include claim reserves and unearned premium reserves. When calculating reserves, we combine the insurance contracts with homogeneous insurance risks as one measuring unit. Based on the different characteristics of insurance products, we classify our insurance products into the following measuring units for assessment: motor insurance, commercial property insurance, liability insurance, engineering insurance, cargo insurance, household insurance, marine hull insurance, agricultural insurance, specialty insurance, credit insurance, surety insurance, accident insurance and short-term health insurance.

Insurance contract reserves are measured on the basis of a reasonable estimate of future payments that will be required to fulfill the contractual obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, mainly consisting of (1) the guaranteed benefits based on contractual terms, including claim payments, death claims, disability claims and medical benefits; and (2) reasonable expenses incurred to manage insurance contracts or to process claims, including policy maintenance expense and claims settlement expense. The expected future cash inflows are cash inflows arising from the undertaking of insurance obligations, including premiums and other fees.

We calculate and determine the reasonable estimate of future net cash outflow according to possible results under various circumstances and related probabilities based on the information available as at the balance sheet date. When calculating reserves, we consider margin and conduct separate measurements. We adopt quantile method to calculate the risk margins of reserves. During the period of insurance, we adopt a systematic and reasonable method to record the margin in the current period profit or loss. At the inception of the insurance contracts, we do not recognise day-one gain, whereas in contrast, day-one loss is recognised directly in the current period profit or loss.

When calculating reserves, we take into account the time value of money. For the measuring unit with insurance liability duration of over one year, we set Yield Curve for Insurance Contract Reserves Measurement as at the balance sheet date as a benchmark to calculate the influence of time value of money. For the measuring unit with insurance liability duration of less than one year, such influence of the time value of money is disregarded. The discount rate adopted to measure the time value of money is determined based on the information available as at the balance sheet date and is subject to adjustment.

Claim Reserves

Claim reserves refer to our provision for unsettled claims as insurer, including incurred and reported claim reserves, or case reserves, incurred but not reported claim reserves, or IBNR reserves, and loss adjustment expense reserves.

Case reserves represent the reserves for incurred insurance accidents, which have been reported to the insurance companies but not yet settled. We adopt methods such as case-by-case estimating loss method and average cost per claim method to measure case reserves, based on the best estimate of the ultimate settlement amount, with consideration of risk margin.

IBNR reserves represent the reserves for incurred insurance accidents that have not been reported to the insurance companies. Based on the nature and distribution of insurance risk, the pattern of historical claim development and experience data, we use methods such as the chain ladder method, case-by-case estimating loss method, average cost per claim method and Bornhuetter-Ferguson method to measure IBNR reserves based on a reasonable estimate of the ultimate costs of claims, with consideration of risk margin.

Loss adjustment expenses reserves are the reserves provided for the expenses that will possibly be incurred by the claims cases that are not yet closed. The expenses provided for the services that are directly incurred by specific claims cases, such as expenses for experts and lawyers and for damage inspections, are allocated loss adjustment expenses (ALAE) reserves, and the amounts provided for expenses not directly incurred by specific claims cases are unallocated loss adjustment expenses (ULAE) reserves. We calculate loss adjustment expense reserves based on a reasonable estimate of the settlement expenses that will be incurred. We do not make separate estimate for ALAE reserves and combines such reserves with the unpaid loss reserve. For ULAE, we adopt the commonly accepted 50/50 method.

Unearned Premium Reserves

Unearned premium reserves are provisions for our unexpired insurance obligations under P&C insurance contracts as at the reserve evaluation date. We adopt the unearned premium method to separately measure the unearned premium reserves before reinsurance and reinsurers' share of unearned premium reserves. At the inception of the insurance contracts, we separately measure the unearned premium reserves before reinsurance and reinsurers' share of unearned premium reserves based on written premium or reinsurance premium in the contracts, after deductions for incremental insurance policy acquisition costs. Incremental acquisition costs before reinsurance include fees and commission, business tax and surcharges, insurance guarantee fund, insurance regulatory charges, relief fund for statutory automobile liability insurance, stamp duty and performance bonus payable to sales personnel, while reinsurers' share of acquisition costs are prepaid fees. Subsequent to the inception, unearned premium reserves before reinsurance and reinsurers' share of unearned premium reserves are recognised as earned premium income according to time scale and risk distribution.

Liability Adequacy Testing

When evaluating insurance contract reserves, we conduct adequacy testing based on the information available as at the balance sheet date. The tests for unearned premium reserves before reinsurance and reinsurers' share of unearned premium reserves are separately conducted. If such reserves are insufficient, we will adjust the relevant insurance contract reserves.

ASSET MANAGEMENT

Overview

As one of our core business segments, our asset management business plays a pivotal role in enhancing our Group's performance and core competitiveness. We will continue to focus on our investment performance and brand name, enhance investment management and risk control capability, provide innovative products and services, promote reforms in corporate governance and incentive structure, and develop our core competitiveness in asset management business.

The asset management industry is entering into a "Big Asset Management" era, which presents new opportunities. We have adhered to our "talent first" development strategy and endeavoured to build a market-oriented mechanism to attract high-end talent. We value the central role of human resources in the development of our asset management business in order to capture market opportunities. Through our market-oriented incentive mechanism, we have attracted professionals with extensive investment experience and broad investment vision to strengthen our investment research and management capabilities over time. As at 30 June 2015, we had a professional investment and research team of 93 members, with 58 dedicated to traditional front desk business and 35 dedicated to emerging business areas such as alternative investments and development of insurance asset management products. Over half of the team members have more than ten years of relevant work experience. Seven members have received the Chartered Financial Analyst (CFA) designation, and nine members are qualified as Certified Public Accountant (CPA) or registered legal counsel.

We manage our Group's investment assets in a centralised and professional manner. In our centralised management model, we make decisions for the strategic allocation of the Group's investment assets and selection of asset managers at the Group Company level. We have established China Re AMC as the dedicated investment platform for the Group, and tasked China Re AMC with decisions on tactical asset allocation and portfolio management, to achieve the professional management of our investment assets. We have built up specialised teams within China Re AMC for alternative investments, overseas investments, third-party asset management business and development of insurance asset management products, and we will continue to promote the development of dedicated sub-platforms under China Re AMC.

Driven by the deregulation of insurance fund investments, we have been strengthening our innovation capabilities in order to meet the demands of our internal and external asset management clients, capture growth opportunities in the industry and achieve higher investment returns. Having obtained qualifications to conduct all asset management businesses permitted by the CIRC, such as the product innovation qualification for infrastructure debt investment schemes, the product innovation qualification for real estate investment schemes, and the qualifications for equity investment, real estate investment and entrusted management of insurance funds, we moved rapidly to commence the relevant business activities. Focusing on innovation, we have achieved several industry-leading achievements and have won acclaim from industry peers.

- We are among the first PRC insurance companies to establish a professional asset management platform, China Re AMC, which has since built up its considerable brand influence.

- We have actively invested in an overseas private equity fund after the CIRC further liberalised overseas investments in 2012.

- We completed our first investment in overseas preferred stock in the Hong Kong market with insurance funds, which was our first overseas investment in hybrid capital instruments.

- We are the first domestic insurance company to design and issue hybrid equity/debt insurance asset management product for investment in rail transportation projects by adopting an innovative structure of equity with debt features, extending the horizons of insurance asset management innovation.

We will continue adapting to market trends, refining asset management business plans, and building up investment sub-platforms under China Re AMC in such fields as open market investments, alternative investments, real estate investments, overseas investments, and product development. We will also promote the innovation of our asset management business through the use of "big data", cloud computing and other Internet-based technologies.

In light of the nature of insurance funds, we remain committed to the investment philosophy of prudence and long-term value investment. In practice, we follow the principle of asset-liability matching and focus on enhancing the investment risk management and asset allocation capabilities. While we aim to seize market opportunities, we limit the portion of high risk assets to ensure that the volatility of our investment portfolio is controlled within a reasonable range. In this way, we aim to realise stable and satisfactory investment returns in the long run with manageable investment risks.

As at 30 June 2015, the total investment assets of the Group amounted to RMB145,232 million, with RMB136,346 million under the management of China Re AMC. Since April 2015, we have also entrusted a small amount of our investment assets to external professional institutions. On the other hand, China Re AMC commenced the entrusted asset management business for third parties from 2013. The following table sets forth the information on various investment assets under the management of China Re AMC as at the dates indicated:

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
Investment assets of the Group	86,097	100.0%	108,905	67.2%	130,123	69.1%	136,346	70.3%
Investment assets of third parties...	—	—	53,275	32.8%	58,279	30.9%	57,731	29.7%
Total......................	86,097	100.0%	162,180	100.0%	188,402	100.0%	194,077	100.0%

In recent years, we have continually achieved favourable investment performance. In 2012, 2013, 2014 and the first half of 2015, the total investment income of the Group on a consolidated basis was RMB3,874 million, RMB5,782 million, RMB8,397 million and RMB9,868 million, respectively, with a CAGR of 47.2% from 2012 to 2014. In 2012, 2013, 2014 and the first half of 2015, the total investment yield of the Group on a consolidated basis was 3.99%, 5.18%, 6.54% and 6.95% (not annualised), respectively. In 2012, 2013 and 2014, the investment return of the PRC insurance industry as published by the CIRC was 3.4%, 5.0% and 6.3%, respectively.

Management Structure and Investment Platform

We make overall strategic plans for our asset management business, and we have generally achieved the centralised management of the Group's investment assets. The Group Company is responsible for the strategic allocation of assets and selection of investment managers for the Group. We established two professional committees, namely, the investment decision committee and the asset-liability management committee, under the management of the Group to ensure efficient and sound investment decision-making.

We have established China Re AMC as the dedicated investment platform for the Group, and tasked China Re AMC with decisions on tactical asset allocation and investment portfolio management, to achieve the professional management of our investment assets.

To seize the new opportunities made available to insurance asset management companies by new policies on insurance investments in the "Big Asset Management" era, we have been actively promoting the development of dedicated sub-platforms under China Re AMC, and have established specialised teams under China Re AMC to conduct portfolio management, fixed-income and equity investments, alternative investments, overseas investments, third-party asset management business and development of insurance asset management products. By continually promoting the development of dedicated sub-platforms under China Re AMC, we have steadily improved our investment management capabilities.

Asset allocation

We conduct our asset allocation based on conditions of the macroeconomy and the capital market. Our asset allocation prioritises risk management, follows the basic principle of asset-liability management and conforms to safety, liquidity and profitability requirements, while taking into consideration a number of constraints, such as regulations, risk appetite, liability characteristics and solvency margin ratio. We coordinate the Group's strategic asset allocation at the Group Company level, and China Re AMC formulates the Group's tactical asset allocation and conduct portfolio management accordingly. We regularly review our asset allocation and make necessary adjustments in order to achieve dynamic optimisation of our allocation based on market conditions and business practices.

We conduct the strategic asset allocation of the Group's insurance funds under the guidance of the Group's asset-liability management committee. As the entrusting parties, the Group Company and the subsidiaries will decide on the strategic allocation of assets based on their respective target returns, risk budgeting and business performance, and incorporate these considerations in the investment guidelines and entrusting agreements with China Re AMC in the form of investment goals and investment scope, annual asset allocation plan, investment restrictions and risk management requirements.

Within the scope of strategic asset allocation, China Re AMC is responsible for the tactical asset allocation. China Re AMC will take into account relevant regulations, target returns, investment guidelines of the entrusting parties and features of their respective funding sources, risk appetite and liquidity requirements, and provide tailored asset allocation solutions based on macro strategy research, aiming to satisfy the entrusting parties' investment requirements and to maximise investment returns.

Portfolio Management

Portfolio management is crucial to the implementation of the tactical asset allocation and the dynamic optimisation of our investment portfolio. We have a dedicated portfolio management team at China Re AMC responsible for the formulation of tactical asset allocation strategies, management of the investment return targets, dynamic tracking of the portfolio and optimisation of allocation, and risk management of the portfolio. We have established an inter-department mechanism for research and communications on topics including macroeconomy, capital market and allocation strategies, and we formulate our tactical asset allocation strategies based on the characteristics of insurance funds and our analysis of the investment portfolio. We have also established a relatively comprehensive investment portfolio tracking and analysis framework to identify issues in the investment portfolio in a timely manner and provide alerts on the relevant risks of the investment portfolio, and have largely achieved specialised and dynamic management of asset allocation and investment portfolio.

Fixed-income and Equity Investments

We conduct traditional asset management businesses such as fixed-income investments and equity investments through specialised teams that are dedicated to these asset classes, and we have accumulated extensive investment experience in this aspect. In terms of fixed-income investments, we have been continuously enhancing our capabilities in research, credit assessment and investment decision-making on fixed-income products. With the gradual liberalisation on the investment scope of insurance funds in recent years, and on the basis of traditional fixed-income products such as time deposits and bonds, we have gradually expanded our investment scope under strict risk control towards securitised financial products such as debt investment schemes, trust schemes and project asset-backed schemes, further optimising our fixed-income asset allocation structure. In terms of equity investments, China Re AMC has been actively recruiting professional talent in recent years and has built an integrated investment, research and management team. China Re AMC attaches great importance to the diversification of investment styles and improvement of active management capabilities, focuses on the integration of investment and research, and seeks to uncover the investment value of individual stocks through in-depth analysis, which has resulted in favourable investment performance.

Alternative Investments

We have built a specialised team to conduct alternative investment and management business in a prudent and systematic manner and have formed a diversified investment portfolio. Under this business, we conduct equity investments in domestic and overseas private equity investment funds, venture capital funds, and unlisted entities. Most equity funds we invested in are managed by well-known domestic and overseas private equity fund managers, and our equity fund portfolio has achieved diversification in terms of sectors, geographical regions and strategies. We also actively conduct direct private equity investments and select investment projects matching our investment strategy and allocation requirements in order to further enhance diversification of our portfolio. In terms of real estate investments, we are focused on commercial properties or land plots located in the central districts of first-tier cities in China. We have also started to acquire overseas real estate exposure through investments in overseas real estate funds. The ongoing optimisation of our alternative investment portfolio will help improve our long-term overall investment returns on our investment assets.

We have won a number of industry recognised honours in recent years for our alternative investment business. In 2014, China Re AMC was awarded "CLPA 2013-2014 Best Limited Partner in China of the Year" and "CLPA 2013-2014 Insurance Funds Management Team of the Year (Alternative Asset Management Team)" by China Limited Partners Associates ("CLPA"). In 2015, China Re AMC was awarded "CLPA 2014-2015 Institutional Investor of the Year (Alternative Asset Management Team)". In addition, China Re AMC was awarded "Top 10 Best Limited Partners in China of the Year" for two consecutive years in 2013 and 2014 by China Venture.

Overseas Investments

In addition to developing our domestic asset management businesses, we are prudently expanding our overseas investment businesses. Hong Kong is currently our primary overseas investment market. We proactively adjust our asset allocation based on market conditions, attach great importance to the analysis of the fundamentals of industries and investment targets, and follow closely the changes in policies, money supply and macroeconomic fundamentals. We have completed investment in overseas preferred stock with insurance funds, achieving lower volatility of our investment portfolio while realising stable and relatively high returns. We have also invested in the global offering of H shares by China Everbright Bank, The People's Insurance Company (Group) of China Limited, Central China Securities Co., Ltd. and CGN Power Co., Ltd., as well as the private placement of H shares by Bank of Communications Co., Ltd. Those investments have significantly improved our overall investment returns on foreign currency assets.

China Re AMC HK, the Hong Kong subsidiary of China Re AMC, officially commenced operation in July 2015 and will serve as our key dedicated offshore investment platform. We will prudently explore other offshore investment product categories and expand the geographical coverage of our investments to other major markets such as the Asia-Pacific region, Europe and North America, in order to seek more investment opportunities and enrich our investment product portfolio in a broader horizon, and to diversify risks related to capital markets and regional investments through cross-market asset allocation.

Third-party Asset Management

Our third-party asset management business refers to the business in which China Re AMC is entrusted by third-party institutions to manage their assets and earns management fees in return. The development of third-party asset management business helps us to capture opportunities in the "Big Asset Management" era and enhance our capabilities to provide quality investment management and wealth management services for clients. Third-party asset management business is also a key driver for the assets under management of China Re AMC and an important contributor to the profit growth of China Re AMC. We have established a dedicated team for our third-party asset management business.

We have been actively developing third-party financial institution clients, such as insurance companies and banks, as we strive to cultivate core institutional clients and seek to gradually establish a customer base covering enterprises and high-net-worth individuals. As at 30 June 2015, we had established cooperation with over 180 third-party institutions, including various types of financial institutions such as banks, insurance companies, securities firms, mutual funds, private funds, trust companies, leasing companies and financial asset management companies.

Leveraging our advantages in resources, we provide clients with tailored and integrated asset management solutions based on their respective risk appetite and return requirements. On the one hand, we provide entrusted asset management services through China Re AMC for third-party financial institutional clients. As at 31 December 2013 and 2014 and 30 June 2015, the balance of third-party assets under entrusted management by China Re AMC was RMB53,275 million, RMB58,279 million and RMB57,731 million, respectively. On the other hand, China Re AMC also sells its independently developed insurance asset management products to third-party institutional clients building upon China Re AMC's product development and investment management capabilities. We seek to continue to leverage the investment capabilities of China Re AMC to cater to the investment needs of different customer groups by expanding the product offering to third parties, and to leverage the technological capabilities of China Re AMC to provide quality operational management services for third parties, through which we seek to gradually establish our brand in third-party asset management business.

Development of Insurance Asset Management Products

We have established a professional team dedicated to the design and development of insurance asset management products. Applying our rich experience in financial products development and investment management, we provide insurance companies and other investors with innovative insurance asset management products that seek to offer stable and favourable returns with manageable risks. The insurance asset management products we currently offer do not involve any principal guarantee arrangement.

We have built up our advantages in such specialised areas as investments in infrastructure, New-type Urbanisation (新型城鎮化), and project asset-backed schemes. Since obtaining the qualification to conduct debt investments in infrastructure projects in 2013, China Re AMC has registered seven insurance asset management products, covering such areas as urban railway transportation, clean energy, commercial real estate and New-type Urbanisation, and raised more than RMB10 billion. The structures of such products include equity investment schemes, debt investment schemes and project asset-backed schemes. In particular, the "China Re — Beijing Subway Line No. 16 Equity Investment Plan (Phase 1)" is a hybrid equity/debt insurance asset management product that applied an innovative structure of equity with debt features, extending the horizons of insurance asset management innovation. This innovative product provided long-term support for the major infrastructure and construction projects that are key to social wellbeing, attracted wide attention in the market and received regulatory authorities' recognition.

Risk Management

We focus on risk management while conducting various investment businesses. At the Group Company level, we have established a comprehensive risk management system. We have built a risk appetite system applicable to the Group by analysing risk features based on our independently developed economic capital model and set the investment risk tolerance limits, key risk indicators and investment limits accordingly.

We conduct strategic asset allocation within the investment risk tolerance limit. As entrusting parties, the Group Company and its subsidiaries authorise China Re AMC to conduct investments in accordance with the strategic asset allocation plans, key risk indicators and investment limits as set forth in the investment guidelines and entrusting agreements. Within its investment authority, China Re AMC makes investment allocation decisions based on its assessment of investment value and risks. Material investments beyond China Re AMC's authorised investment scope will be submitted to the investment decision committee of the Group for determination.

Within the overall risk management system of the Group, China Re AMC implements professional and refined risk control and management and has formulated a comprehensive risk management system and process targeting various risks of the investment business. China Re AMC has also built a specialised risk management team and adopted various risk management measures dedicated to risk identification, assessment and response, so as to limit risks within the pre-set range of risk appetite and risk tolerance. Based on the business development and management needs, we control and manage compliance risk, market risk, credit risk, operational risk and trading risk through dedicated departments under China Re AMC, namely, the internal control and compliance risk management department, the portfolio and market risk management department, the review management department and the fixed-income research and credit assessment department, the operation management department, and the trading management department. Meanwhile, we have achieved automatic risk identification and interception to a certain extent by embedding parameters of investment risk tolerance level, key risk indicators and investment limits into the operation management system of China Re AMC. As such, the system is able to automatically identify and intercept the relevant risks when spotted by the system so as to improve our efficiency in risk control and management.

We have also established three lines of defence with checks and balances within China Re AMC to strictly control investment risks. The first line of defence is the front office of investments and trading teams as the frontier of risk control. The second line of defence is the relevant risk management departments and the middle and back office staff within such departments. Staff in research, operation and credit assessment positions will provide professional and technical support for the quantitative risk management on an ongoing basis. Staff in risk control, compliance, internal control and legal affairs positions will identify and analyse the risks by adopting qualitative-quantitative combined methods to implement independent control. The third line of defence is implemented by the risk control committee of China Re AMC. The risk control committee is independent of and above other departments of China Re AMC and has the authority to make risk management decisions.

Operation Management

We have built an efficient and relatively sound operation management system, established a professional operation team of approximately 20 people, and transformed China Re AMC into a centralised operation platform within the Group for investment business settlement and clearing, valuation, accounting and data management, providing the foundation and support for the prudent development of our investment businesses.

We have established a centralised, unified, relatively complete and sustainable operating system to make our operation management more effective and intelligent. China Re AMC has introduced Sophis system, an internationally recognised software for investment management, and achieved integration of the functions of front, middle and back offices of the investment business, which thus provided consistent, complete and accurate data for the enterprise data platform established primarily by China Re AMC. The enterprise data platform integrates internal and external data, provides various regulatory and internal management statements and supports various types of data application in a centralised manner. The unified business operation and management platform built by China Re AMC has achieved business sub-system supporting for various business lines and overall corporate management, which facilitates information sharing, business operation and inter-department coordination. China Re AMC has also implemented proper operation management regulations and built a professional team with different levels of talent. We value management, system building and human resource development, remain committed to the principles of specialisation, platform-building and sustainable development, and endeavour to promote the integration our principles and business operation, aiming to improve our capabilities in operational risk prevention and intelligent operation management on an ongoing basis.

Investment Performance and the Composition of Investment Portfolio

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our Group's total investment assets amounted to RMB105,385 million, RMB118,048 million, RMB138,873 million and RMB145,232 million, respectively, representing a CAGR of 14.8% from 2012 to 2014. In addition to the steady increase in our total investment assets, we continually realised favourable investment returns. In 2012, 2013, 2014 and the first half of 2015, the Group's total investment yield on a consolidated basis was 3.99%, 5.18%, 6.54% and 6.95% (not annualised), respectively. In 2012, 2013 and 2014, the investment return of the PRC insurance industry as published by the CIRC was 3.4%, 5.0% and 6.3%, respectively.

With the gradual liberalisation of investment scope for insurance funds and the relaxation of supervision over asset allocation within the set limits of major categories of assets, we have established a diversified and relatively flexible investment portfolio including various categories of assets such as bank deposits, bonds, stocks, funds, debt investment schemes, unlisted equity shares and investment property. The table below sets forth the portfolio of our Group's total investment assets as at the dates indicated:

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
Investment assets	**Carrying value**	**% of total**	**Carrying value**	**% of total**	**Carrying value**	**% of total**	**Carrying value**	**% of total**
	RMB in millions		*RMB in millions*		*RMB in millions*		*RMB in millions*	
Cash and short-term time deposits	2,739	2.6%	7,325	6.2%	7,904	5.7%	8,532	5.9%
Fixed-income investments	93,451	88.6%	94,366	79.9%	102,778	74.0%	109,005	75.1%
Time deposits	35,778	34.0%	30,698	26.0%	31,962	23.0%	33,244	22.9%
Bonds	42,550	40.3%	42,775	36.2%	44,144	31.8%	48,100	33.1%
Government bonds	128	0.1%	164	0.1%	182	0.1%	183	0.1%
Financial bonds	8,350	7.9%	7,383	6.3%	6,915	5.0%	7,283	5.0%
Enterprise (corporate) bonds	23,592	22.4%	24,352	20.6%	27,303	19.7%	31,332	21.6%
Subordinated bonds	10,480	9.9%	10,876	9.2%	9,744	7.0%	9,302	6.4%
Investments classified as loans and receivables	2,960	2.8%	7,380	6.3%	12,945	9.3%	14,040	9.7%
Other fixed-income investments [(1)]	12,163	11.5%	13,513	11.4%	13,727	9.9%	13,621	9.4%
Equity and investment funds	21,444	20.4%	19,372	16.4%	22,358	16.1%	26,554	18.3%
Investment funds	12,244	11.6%	8,316	7.0%	12,704	9.2%	16,074	11.1%
Stocks	8,900	8.5%	10,756	9.1%	9,354	6.7%	9,880	6.8%
Unlisted equity shares	300	0.3%	300	0.3%	300	0.2%	600	0.4%
Investment property	487	0.5%	460	0.4%	433	0.3%	420	0.3%
Investments in associates	6	0.0%	6	0.0%	7,709	5.6%	8,098	5.5%
Less: securities sold under agreements to repurchase	(12,742)	(12.1)%	(3,481)	(2.9)%	(2,309)	(1.7)%	(7,377)	(5.1)%
Total investment assets	105,385	100.0%	118,048	100.0%	138,873	100.0%	145,232	100.0%

Note:

(1) Primarily including financial assets held under resale agreements, statutory deposits and policy loans.

The table below sets forth the relevant information on our investment income during the Track Record Period:

Items	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount
	%	*RMB in millions*	%	*RMB in millions*	%	*RMB in millions*	%	*RMB in millions*
Cash and fixed-income investment	4.9%	4,440	4.9%	4,865	5.5%	5,862	2.5%	2,864
Interest income		4,413		4,951		5,461		2,854
Realised gains/(losses)		3		(22)		354		5
Unrealised gains/(losses)		24		(64)		47		5
Impairment loss		—		—		—		—
Equity and investment funds	(2.0)%	(353)	5.4%	1,091	(1.6)%	(336)	25.8%	6,304
Dividend income		419		443		314		390
Realised gains/(losses)		(592)		646		(658)		5,796
Unrealised gains/(losses)		76		12		8		118
Impairment loss		(256)		(10)		—		—
Rental income from investment property	6.0%	30	7.4%	35	9.2%	41	4.9%	21
Investment income from investments in associates	—	—	—	—	76.7%	2,960	9.5%	754
excluding interest expenses related to securities sold under agreements to repurchase		(243)		(209)		(130)		(75)
Total investment income		3,874		5,782		8,397		9,868
Total investment yield	3.99%		5.18%		6.54%		6.95%	
Net investment income[(2)]		4,862		5,429		6,710		3,951
Net investment yield[(2)]	5.00%		4.86%		5.22%		2.78%	

Notes:

(1) Yields are calculated by dividing the investment income generated by the relevant assets for the period by the average of such investment assets as at the beginning and end of the period. The total investment yield refers to the ratio of total investment income to the average of the total investment assets as at the beginning and end of the period. Total investment income equals the sum of investment income and share of profit of associates, net of 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, policy loans, investments in associates, statutory deposits and investment property, net of securities sold under agreements to repurchase.

(2) Ratio of net investment income to the average of investment assets as at the beginning and end of the period. Net investment income equals to the sum of interest, dividends, rental income and share of profit of associates.

Cash and Short-term Time Deposits

Cash and cash equivalents primarily include cash, short-term time deposits with original maturities of no more than three months and other monetary funds. As at 30 June 2015, 5.9% of our total investment assets were in the form of cash and short-term time deposits.

Time Deposits

As at 30 June 2015, 22.9% of our total investment assets were deposited with a number of commercial banks in the PRC in the form of time deposits. A majority of our time deposits are in the form of negotiated deposits.

The table below sets forth the top five commercial banks based on time deposits placed by us as at the dates indicated:

Bank	Deposits	% of total
	RMB in millions	
As at 31 December 2012:		
Bank of Communications	9,850	27.5%
Shanghai Pudong Development Bank	6,699	18.7%
Ping An Bank	5,568	15.6%
Bank of China	5,159	14.4%
CITIC Bank	2,200	6.2%
Other banks	6,302	17.6%
Total	35,778	100.0%
As at 31 December 2013:		
Bank of Communications	9,850	32.1%
Bank of China	5,044	16.4%
Ping An Bank	4,620	15.0%
Shanghai Pudong Development Bank	4,200	13.7%
CITIC Bank	2,200	7.2%
Other banks	4,784	15.6%
Total	30,698	100.0%

Bank	Deposits	% of total
	RMB in millions	
As at 31 December 2014:		
Bank of Communications	9,850	30.8%
Bank of China	6,083	19.0%
Ping An Bank	4,695	14.7%
Shanghai Pudong Development Bank	4,200	13.1%
China Guangfa Bank	2,000	6.3%
CITIC Bank	2,000	6.3%
Other banks	3,134	9.8%
Total	31,962	100.0%
As at 30 June 2015:		
Bank of Communications	9,850	29.6%
Bank of China	6,084	18.3%
Ping An Bank	4,620	13.9%
Shanghai Pudong Development Bank	3,900	11.8%
CITIC Bank	2,635	7.9%
Other banks	6,155	18.5%
Total	33,244	100.0%

The table below sets forth the breakdown of our time deposits by maturity as at the dates indicated:

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
Items	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	RMB in millions		*RMB in millions*		*RMB in millions*		*RMB in millions*	
Within 3 months (inclusive)	904	2.5%	70	0.2%	75	0.2%	1,425	4.3%
3 months to 1 year (inclusive)	3,001	8.4%	205	0.7%	1,863	5.8%	5,316	16.0%
1 to 5 years (inclusive)	30,373	84.9%	30,423	99.1%	30,024	94.0%	26,503	79.7%
Over 5 years	1,500	4.2%	—	—	—	—	—	—
Total	35,778	100.0%	30,698	100.0%	31,962	100.0%	33,244	100.0%

Government Bonds

Government bonds have maturities of up to 30 years and pay tax-exempt interest. As at 30 June 2015, the PRC government bonds represented 0.1% of our total investment assets. Some of our government bonds are measured by fair value. The fair value of our government bond investments that are actively traded in exchanges is determined on the basis of its recent quoted market price on each balance sheet date. For government bonds traded relatively inactively on markets where price quotations are not available, their fair value is estimated by referring to (including but not limited to) the latest traded price or the latest market price of similar bonds on active trading market, or determined through valuation techniques.

The table below sets forth the breakdown of our investments in government bonds by maturity as at the dates indicated:

Government bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 31 December 2012:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	1	1	0.6%
5 to 10 years (inclusive)	10	10	7.8%
Over 10 years	143	117	91.6%
Total	154	128	100.0%
As at 31 December 2013:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	61	43	26.3%
5 to 10 years (inclusive)	23	23	13.7%
Over 10 years	110	98	60.0%
Total	194	164	100.0%
As at 31 December 2014:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	61	60	33.2%
5 to 10 years (inclusive)	23	23	12.4%
Over 10 years	110	99	54.4%
Total	194	182	100.0%

Government bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 30 June 2015:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	61	61	33.3%
5 to 10 years (inclusive)	23	23	12.6%
Over 10 years	110	99	54.1%
Total	194	183	100.0%

Financial Bonds

Financial bonds include policy financial bonds and bonds issued by financial institutions. Policy financial bonds are bonds issued by three state-owned policy banks of the PRC, namely, China Development Bank, the Export-Import Bank of China and Agricultural Development Bank of China. Policy financial bonds are generally traded through the interbank markets. As at 30 June 2015, financial bonds represented 5.0% of our total investment assets. The fair value of our financial bonds is estimated using the same method as for assessing the fair value of government bonds.

The following table sets forth the breakdown of our investments in financial bonds by maturity as at the dates indicated:

Financial bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 31 December 2012:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	110	105	1.2%
1 to 5 years (inclusive)	2,620	2,627	31.5%
5 to 10 years (inclusive)	4,810	4,801	57.5%
Over 10 years	815	817	9.8%
Total	8,355	8,350	100.0%

Financial bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 31 December 2013:			
Within 3 months (inclusive)	40	40	0.5%
3 months to 1 year (inclusive)	650	645	8.7%
1 to 5 years (inclusive)	4,860	4,685	63.5%
5 to 10 years (inclusive)	1,290	1,252	17.0%
Over 10 years	765	761	10.3%
Total	7,605	7,383	100.0%
As at 31 December 2014:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	240	240	3.5%
1 to 5 years (inclusive)	4,030	4,103	59.3%
5 to 10 years (inclusive)	1,740	1,804	26.1%
Over 10 years	765	768	11.1%
Total	6,775	6,915	100.0%
As at 30 June 2015:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	300	301	4.1%
1 to 5 years (inclusive)	3,660	3,764	51.7%
5 to 10 years (inclusive)	2,360	2,448	33.6%
Over 10 years	765	770	10.6%
Total	7,085	7,283	100.0%

Enterprise (Corporate) Bonds

Although enterprise (corporate) bonds may be less liquid than most other types of fixed-income securities, they generally earn higher yields and have longer maturities than most other fixed-income instruments. Insurance companies in the PRC are permitted to invest in unsecured bonds publicly issued by non-financial institutions in the PRC. As at 30 June 2015, enterprise (corporate) bonds represented 21.6% of our total investment assets. The fair value of our enterprise (corporate) bonds is estimated using the same method as for assessing the fair value of government bonds.

The table below sets forth the breakdown of our investments in enterprise (corporate) bonds by maturity as at the dates indicated:

Enterprise (Corporate) bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 31 December 2012:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	785	766	3.2%
1 to 5 years (inclusive)	8,602	8,599	36.5%
5 to 10 years (inclusive)	10,358	10,373	44.0%
Over 10 years	3,852	3,854	16.3%
Total	23,597	23,592	100.0%
As at 31 December 2013:			
Within 3 months (inclusive)	404	394	1.6%
3 months to 1 year (inclusive)	1,092	1,080	4.4%
1 to 5 years (inclusive)	11,179	10,860	44.6%
5 to 10 years (inclusive)	7,073	6,813	28.0%
Over 10 years	5,279	5,205	21.4%
Total	25,027	24,352	100.0%
As at 31 December 2014:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	605	605	2.2%
1 to 5 years (inclusive)	13,887	13,967	51.2%
5 to 10 years (inclusive)	7,057	7,133	26.1%
Over 10 years	5,566	5,598	20.5%
Total	27,115	27,303	100.0%
As at 30 June 2015:			
Within 3 months (inclusive)	40	40	0.1%
3 months to 1 year (inclusive)	2,930	2,949	9.4%
1 to 5 years (inclusive)	12,527	12,778	40.8%
5 to 10 years (inclusive)	8,868	9,062	28.9%
Over 10 years	6,439	6,503	20.8%
Total	30,804	31,332	100.0%

Subordinated Bonds

Subordinated bonds are debts with a lower seniority than other debts of the bond issuer but rank higher in seniority than the equity capital. Qualified PRC insurance companies are permitted to invest in subordinated bonds issued by qualified commercial banks and qualified insurance companies in connection with a private placement. As at 30 June 2015, subordinated bonds represented 6.4% of our total investment assets. The fair value of our subordinated bonds is estimated using the same method as for assessing the fair value of government bonds.

The table below sets forth the breakdown of our investments in subordinated bonds by maturity as at the dates indicated:

Subordinated bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As at 31 December 2012:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	—	—	—
5 to 10 years (inclusive)	2,210	2,146	20.5%
Over 10 years	8,420	8,334	79.5%
Total	10,630	10,480	100.0%
As at 31 December 2013:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	—	—	—
5 to 10 years (inclusive)	3,260	3,091	28.4%
Over 10 years	7,870	7,785	71.6%
Total	11,130	10,876	100.0%
As at 31 December 2014:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	—	—	—
5 to 10 years (inclusive)	2,330	2,292	23.5%
Over 10 years	7,460	7,452	76.5%
Total	9,790	9,744	100.0%
As at 30 June 2015:			
Within 3 months (inclusive)	—	—	—
3 months to 1 year (inclusive)	—	—	—
1 to 5 years (inclusive)	500	500	5.4%
5 to 10 years (inclusive)	2,770	2,770	29.8%
Over 10 years	6,020	6,032	64.8%
Total	9,290	9,302	100.0%

Investments Classified as Loans and Receivables

Our investments classified as loans and receivables are mainly financial products such as debt investment schemes, trust schemes and wealth management products. As at 30 June 2015, investment in loans and receivables accounted for 9.7% of our total investment assets. This type of investment typically has a long maturity, with higher yields as compared with traditional fixed-income products. Most of the loans and receivables products we invested in receive external ratings of AAA level and our decisions to invest in them were subject to strict internal reviews. Subsequent to initial recognition, investments classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The table below sets forth the breakdown of our investments classified as loans and receivables by product types as at the dates indicated:

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
Items	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	RMB in millions		*RMB in millions*		*RMB in millions*		*RMB in millions*	
Debt investment schemes	2,765	93.4%	4,985	67.6%	9,210	71.1%	10,390	74.0%
Trust schemes	—	—	1,500	20.3%	2,585	20.0%	2,300	16.4%
Subordinated debts	—	—	200	2.7%	1,000	7.7%	1,200	8.5%
Government bonds	195	6.6%	195	2.6%	150	1.2%	150	1.1%
Wealth management products	—	—	500	6.8%	—	—	—	—
Total	2,960	100.0%	7,380	100.0%	12,945	100.0%	14,040	100.0%

Investment Funds

PRC insurance companies are permitted to invest in close-ended and open-ended securities investment funds managed by mutual fund management companies as well as in private equity funds. As at 30 June 2015, investment funds represented 11.1% of our total investment assets. In light of market capacity and related liquidity considerations, a majority of our investments in investment funds are open-ended funds managed by mutual fund management companies.

The table below sets forth the carrying value of our fund portfolio as at the dates indicated:

Funds	As at 31 December 2012	2013	2014	As at 30 June 2015
	(RMB in millions)			
Close-ended funds	2,474	3,255	4,311	6,626
Open-ended funds	9,770	5,021	7,963	8,684
Private equity funds (including venture capital funds)	—	40	430	764
Total	12,244	8,316	12,704	16,074

Stocks

Qualified PRC insurance companies are permitted to invest a portion of their insurance funds directly in stocks of companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange as well as the stocks quoted and traded on stock exchanges in other countries or regions as prescribed by the CIRC. As at 30 June 2015, stocks represented 6.8% of our total investment assets. Please refer to the section headed "Supervision and Regulation — PRC Regulatory Overview — Deployment of Insurance Funds — Equity of Listed Companies."

The PRC securities markets have experienced substantial fluctuations in the prices and trading volumes of listed securities in recent years. We adjust our investment strategies and tactics regarding securities investment funds and stocks based on our detailed analysis of the securities markets from time to time. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our investment assets may experience sharp declines in their returns or suffer significant losses, which would have a material adverse effect on our results of operations and financial condition."

Investment Property

As at 30 June 2015, investment property represented 0.3% of our total investment assets, which related to the Shanghai World Square project that we invested in. On 25 June 2014, we entered into a Purchase Agreement to acquire part of Land Lot C of the Guang'an Centre project in Xicheng District, Beijing, which is expected to be delivered in the first quarter of 2016. After refurbishment that is expected to be completed in the first quarter of 2017, we intend to use the property for leasing purposes. Please refer to the section headed "— Properties — Guang'an Centre Property."

Investments in Associates

As at 30 June 2015, investments in associates represented 5.5% of our total investment assets. We held 4.28% of the outstanding shares of China Everbright Bank, which were mainly purchased prior to and at the initial public offering of China Everbright Bank. We have a board seat at China Everbright Bank and are able to exert influence on the business of China Everbright Bank. Therefore, China Everbright Bank is treated as our associated company under relevant accounting standards.

INSURANCE INTERMEDIARY

We conduct insurance intermediary business, including insurance brokerage services, through Huatai Insurance Agency, of which China Re Group holds 52.5% equity interest, and its wholly-owned subsidiary Huatai Surveyors & Adjusters. Huatai Insurance Agency is the first insurance intermediary approved by the PRC insurance regulatory authority and established in the PRC.

Our insurance intermediary business mainly includes: providing clients with consulting services in relation to disaster and loss mitigation, risk assessment and risk management; designing insurance policies and handling insurance applications for policyholders; handling inspection and claims procedures for the insured or the beneficiary; making claims on behalf of the insured or the beneficiary; arranging inward and outward reinsurance in domestic and overseas markets; conducting inspection, claims and recovery process on behalf of overseas insurance companies and insurance associations. We receive commissions from insurance companies for our insurance intermediary services. During the Track Record Period, our income from insurance intermediary business was mainly derived from institutional clients. According to the Yearbook of China's Insurance 2014, in terms of operating income, Huatai Insurance Agency had a market share of approximately 1.4% in the PRC insurance brokerage market in 2013. In 2012, 2013, 2014 and the first half of 2015, our income from insurance intermediary business were RMB126 million, RMB147 million, RMB155 million and RMB102 million, respectively.

CHANGES IN HISTORICAL CLAIMS RESERVE AND CLAIMS DEVELOPMENT INFORMATION FOR NON-LIFE BUSINESS

We establish claims reserves in our non-life businesses in accordance with industry practice and applicable accounting and regulatory requirements. Claim reserves represent estimates of the ultimate cost of claims for claims incurred but not paid, whether or not reported, as at the date of assessment, and includes reserves allocated for loss adjustment expenses that may be incurred for future claims. These reserves are estimates involving actuarial and statistical projections at a given time to reflect our expectation of the costs of the ultimate settlement and administration of claims. Although we use actuarial and statistical models, as well as historical reinsurance and insurance industry loss data, we rely on management's experience and judgment to assist in the establishment of appropriate reserves. Due to the many assumptions and estimates involved in establishing reserves, the reserving process as well as the related outcome is uncertain. Our estimates and judgments are based on numerous factors and may be revised as additional experience and data become available, as new or improved methodologies are developed, as loss trends and claims inflation impact future payments, or as current laws or interpretations thereof change. Our ultimate liability for the payment of losses and loss expenses may exceed or fall short of the reserves currently established. A common risk in the reinsurance and insurance industries is the potential deficiency in reserves. We monitor our reserves on an ongoing basis by utilising additional data that have become available as well as actuarial and statistical models and by analysing our cost trends and reviewing historical developments. See "Risk Factors—Risks Relating to Our Business—Differences between actual experience and the assumptions used in pricing, underwriting and setting reserves for our reinsurance and insurance products may materially and adversely affect our business, results of operations, financial condition and prospects", "—P&C Reinsurance Business—Reserves" and "—Primary P&C Insurance Business—Reserves."

Over the years, in accordance with relevant PRC laws and regulations and accounting rules, we made some changes in our methodologies for establishing IBNR reserves in our non-life businesses. For a number of years prior to 2007, we generally established IBNR reserves in our non-life businesses at each year end in an amount equal to 4% of the actual claims payments that were made during the most recently completed year. Since 2007 we have been using actuarial methods in establishing IBNR reserves.

Since 2010 we have also begun to measure and determine the risk margin and the discount rate relating to claims reserves in our non-life businesses in accordance with Interpretation No. 2. We establish claims reserves in our non-life businesses based on cumulative unpaid loss estimate, as adjusted after taking into account the risk margin and the discount rate. For discussions of, and additional information on, the establishment of claims reserves in our non-life businesses as well as related assumptions, please refer to "Appendix I—Accountants' Report—Note 2 Significant Accounting Policies", "Appendix I—Accountants' Report—Note 3 Accounting Judgment and Estimates", "Appendix I—Accountants' Report—Note 46(1) Insurance Risk", "—P&C Reinsurance Business—Reserves" and "—Primary P&C Insurance Business—Reserves."

Due to these changes in our methodologies for establishing claims reserves in our non-life businesses, our reserves data with respect to the period prior to 2010 are not fully comparable to those with respect to the period since 2010. Therefore, we have set forth in the claims development tables below our claims development data with respect to the period of 2010 and earlier as a whole and with respect to each year from 2011 to 2014, in each case calculated in accordance with IFRS.

In light of the characteristics of the reinsurance and primary insurance businesses in P&C, short-term health and accident lines, the claims development data relating to reinsurance in the table below are presented on an underwriting year basis, while the claims development data relating to primary insurance in the table below are presented on an accident year basis.

The top portion of the following claims development tables sets forth the cumulative loss estimate (including the gross amount before reinsurance/retrocession and the net amount after reinsurance/retrocession) as at the end of each relevant year. In the case of the claims development table relating to reinsurance, as the data are presented on an underwriting year basis, both the gross cumulative loss estimate and the net cumulative loss estimate as at the end of each relevant year included an amount for projected losses corresponding to unearned premiums, which was not part of the claims reserves reflected in the financial statements as at the end of that year. The estimation of such projected losses involves more uncertainties (e.g., due to the need to project such factors as the size of future premiums and future loss ratios) compared to loss estimates for claims incurred. The second portion of the following claims development tables sets forth the cumulative net losses paid as at the end of each year subsequent to the relevant year in respect of which the reserves were initially established. The third portion of the following claims development tables sets forth the cumulative net losses re-estimated, based on the latest claims development data available, as at the end of each year subsequent to the relevant year in respect of which the reserves were initially established. The cumulative surplus/(deficiency) at the bottom of the tables represents the difference between the cumulative net losses re-estimated as at the end of the most recent year and the cumulative net loss estimate initially made as at the end of the relevant year. In the case of the claims development table relating to reinsurance, the historical estimates of unearned premiums and of projected losses corresponding to unearned premiums as at the end of a given year may be lower or higher than the premiums that were subsequently earned and the projected losses corresponding to the premiums subsequently earned, respectively, thus reducing or increasing the cumulative surplus, as the case may be (or increasing or reducing the cumulative deficiency, as the case may be).

Claims Development Table Relating to Reinsurance

Underwriting Year	2010 and Earlier	2011	2012	2013	2014
			(RMB in thousands)		
One Year Later					
Cumulative Loss Estimate (before reinsurance/retrocession)	155,606,291	15,486,103	18,445,759	23,104,937	24,149,283
Ceded/Retroceded Liability	(1,312,522)	(660,254)	(1,070,649)	(1,746,245)	(1,532,833)
Cumulative Loss Estimate (after reinsurance/retrocession)	154,293,769	14,825,849	17,375,110	21,356,260	22,616,450
Cumulative Net Losses Paid as at:					
One Year Later	141,180,869	9,041,222	12,308,674	14,372,939	
Two Years Later	145,395,147	12,079,964	15,426,293		
Three Years Later	146,594,461	12,944,737			
Four Years Later	146,938,525				
Cumulative Net Losses Re-Estimated as at:					
One Year Later	151,098,567	14,953,104	18,433,238	21,965,990	
Two Years Later	150,609,970	14,594,567	17,725,914		
Three Years Later	149,681,901	14,236,111			
Four Years Later	149,358,853				
Cumulative Surplus/(Deficiency) (Net)[(1)]	4,934,916	589,738	(350,804)	(609,730)	

Note:

(1) Based on the information currently available to us, the cumulative deficiency relating to the 2012 and 2013 underwriting years as indicated in the table above primarily reflected uncertainties involved in the estimation of projected losses corresponding to unearned premiums as of the end of such respective underwriting year, but was not an indication of the inadequacy of our claims reserves relating to our reinsurance business as of the end of such respective underwriting year.

Claims Development Table Relating to Primary Insurance

Accident Year	2010 and Earlier	2011	2012	2013	2014
			(RMB in thousands)		
Cumulative Loss Estimate (before reinsurance)	28,622,289	8,317,284	9,705,509	11,641,703	12,351,301
Ceded Liability	(7,697,024)	(951,903)	(992,968)	(1,393,533)	(1,340,629)
Cumulative Loss Estimate (after reinsurance)	20,925,265	7,365,381	8,712,541	10,248,170	11,010,672
Cumulative Net Losses Paid as at:					
One Year Later	19,907,808	6,484,817	7,988,122	9,175,867	
Two Years Later	20,497,361	6,957,364	8,547,398		
Three Years Later	20,652,455	7,093,704			
Four Years Later	20,716,420				
Cumulative Net Losses Re-Estimated as at:					
One Year Later	20,895,105	7,318,713	8,872,824	10,203,235	
Two Years Later	20,866,851	7,241,686	8,794,129		
Three Years Later	20,817,219	7,200,197			
Four Years Later	20,799,389				
Cumulative Surplus/ (Deficiency) (Net)	125,876	165,184	(81,588)	44,935	

The following tables reconcile the beginning and ending claims reserves for the reinsurance and primary insurance businesses, respectively, in P&C, short-term health and accident lines for each of the years from 2012 to 2014, in each case calculated in accordance with IFRS. As the data relating to reinsurance in the tables below are presented on an underwriting year basis, we are unable to allocate the total incurred claims and claim adjustment expenses during a given year between those relating to accidents in the current year and those relating to accidents in the prior years and, similarly, we are unable to allocate the total payments of claims and claim adjustment expenses during a given year between those relating to accidents in the current year and those relating to accidents in the prior years.

Reconciliation of Beginning and Ending Claims Reserves Relating to Reinsurance

Underwriting Year	2012	2013	2014
		(RMB in thousands)	
Gross claims reserves as at January 1	17,350,121	19,793,178	21,848,050
Total incurred claims and claim adjustment expenses during the year	15,476,436	17,222,520	21,429,472
Total payments of claims and claim adjustment expenses during the year	(14,128,690)	(17,357,074)	(20,204,469)
Other(1)	1,095,311	2,189,426	2,047,050
Gross claims reserves as at December 31	19,793,178	21,848,050	25,120,103

Reconciliation of Beginning and Ending Claims Reserves Relating to Primary Insurance

Accident Year	2012	2013	2014
		(RMB in thousands)	
Gross claims reserves as at January 1	5,213,103	5,667,988	7,155,046
Incurred claims and claim adjustment expenses during the year relating to:			
Current Year	10,587,807	12,544,069	13,245,406
Prior Year	(125,126)	14,008	138,564
Total incurred claims and claim adjustment expenses during the year	10,462,681	12,558,077	13,383,970
Payments of claims and claim adjustment expenses during the year relating to:			
Current Year	(6,762,650)	(7,396,993)	(8,030,873)
Prior Year	(3,114,019)	(3,521,294)	(4,650,456)
Total payments of claims and claim adjustment expenses during the year	(9,876,669)	(10,918,287)	(12,681,329)
Other (1)	(131,127)	(152,732)	(129,179)
Gross claims reserves as at December 31	5,667,988	7,155,046	7,728,508

Note:

(1) "Other" primarily includes the changes to claims reserves as a result of the changes in the risk margin and the discount rate.

As substantially all of our reinsurance and primary insurance businesses in P&C, short-term health and accident lines are conducted within the PRC and related transactions are denominated in RMB, the fluctuations in the RMB exchange rates generally have no significant impact on the assessment of our claims reserves.

RISK MANAGEMENT

We regard risk management, internal control and compliance as an essential part of our core competitiveness and important safeguard for achieving sustainable development. We have established, and are committed to further enhancing, a comprehensive risk management framework covering the Group. We have also developed a risk appetite system covering the Company and its subsidiaries, upon which we have established a risk monitoring, alert, management and control mechanism. In addition, we have formulated a series of related internal rules and policies including Interim Measures on Enterprise Risk Management (全面風險管理暫行辦法), Interim Measures on the Management of Risk Appetite System (風險偏好體系管理暫行辦法), Interim Measures on the Management of Internal Control (內部控制管理暫行辦法), Measures on Compliance Management (合規管理辦法), Measures on the Management of Legal Affairs (法律事務管理辦法) and Interim Measures on Internal Audit Management (內部審計管理暫行辦法). Our risk management structure is designed to identify, assess, control and manage the risks we face in our operations, support our business decision-making and assist our prudent operations.

Risk Management Framework

We have established a vertically and horizontally integrated risk management framework covering our Group: the Board, as the ultimate decision maker, assumes ultimate responsibility; the senior management is responsible for management and supervision; the risk management, internal control & compliance departments are responsible for coordination and execution; and all functional departments and employees actively participate. Vertically, our risk management framework spans across "three levels", encompassing the board of directors, the senior management and all departments of the Company and the subsidiaries, covering all business segments and all business processes. Horizontally, the "three lines of defence" consist of business, financial, investment and other functional departments, risk management, internal control & compliance departments as well as the audit department, each carrying out their respective functions and actively cooperating. We have established a "responsible officer" mechanism to ensure the implementation of risk management, internal control and compliance measures through the responsible individuals.

"Three Levels" of the Risk Management Framework of Our Group

- The Board level: The Board assumes ultimate responsibility for our risk management, internal control and compliance, under which we have established a risk management committee and an audit committee to support the Board to oversee risk management activities. The risk management committee is responsible for providing guidance on the establishment of the risk management framework, comprehensively assessing the major risks faced by our Group and the status of the risk management mechanism for these risks and overseeing the effective operation of the risk management system. The audit committee is responsible for the monitoring and reviewing work functions including those relating to risk management, internal control and compliance;

- Company management level: We have established an actuarial management committee, an asset-liability management committee, and an internal control & compliance management coordination committee under the Company's management. The actuarial management committee is responsible for laying the foundation for risk quantification and provides quantitative analyses to support the management's risk decisions. The asset-liability management committee is responsible for coordinating risk management work relating to assets and liabilities management. The internal control & compliance management coordination committee is responsible for work relating to internal control and compliance. As the responsible departments for leading the coordination and execution of risk management, internal control and compliance functions, the actuarial & risk management department and the internal control, compliance & legal affairs department lead respectively the related work on risk management, internal control & compliance; and

- Principal subsidiaries level: Under the unified risk management framework of our Group, the principal subsidiaries have established relevant risk management, internal control and compliance structures in accordance with the policies and guidelines of our Group. The board of directors at the subsidiary level assumes the ultimate responsibility for its risk management and internal control and compliance; the management is responsible for carrying out management functions relating to risk management. Our principal subsidiaries have established risk management, internal control and compliance departments to coordinate, supervise and provide guidance to business, financial, investment and other functional departments and branches in their risk management, internal control and compliance activities.

"Three Lines of Defence" in the Risk Management of Our Group

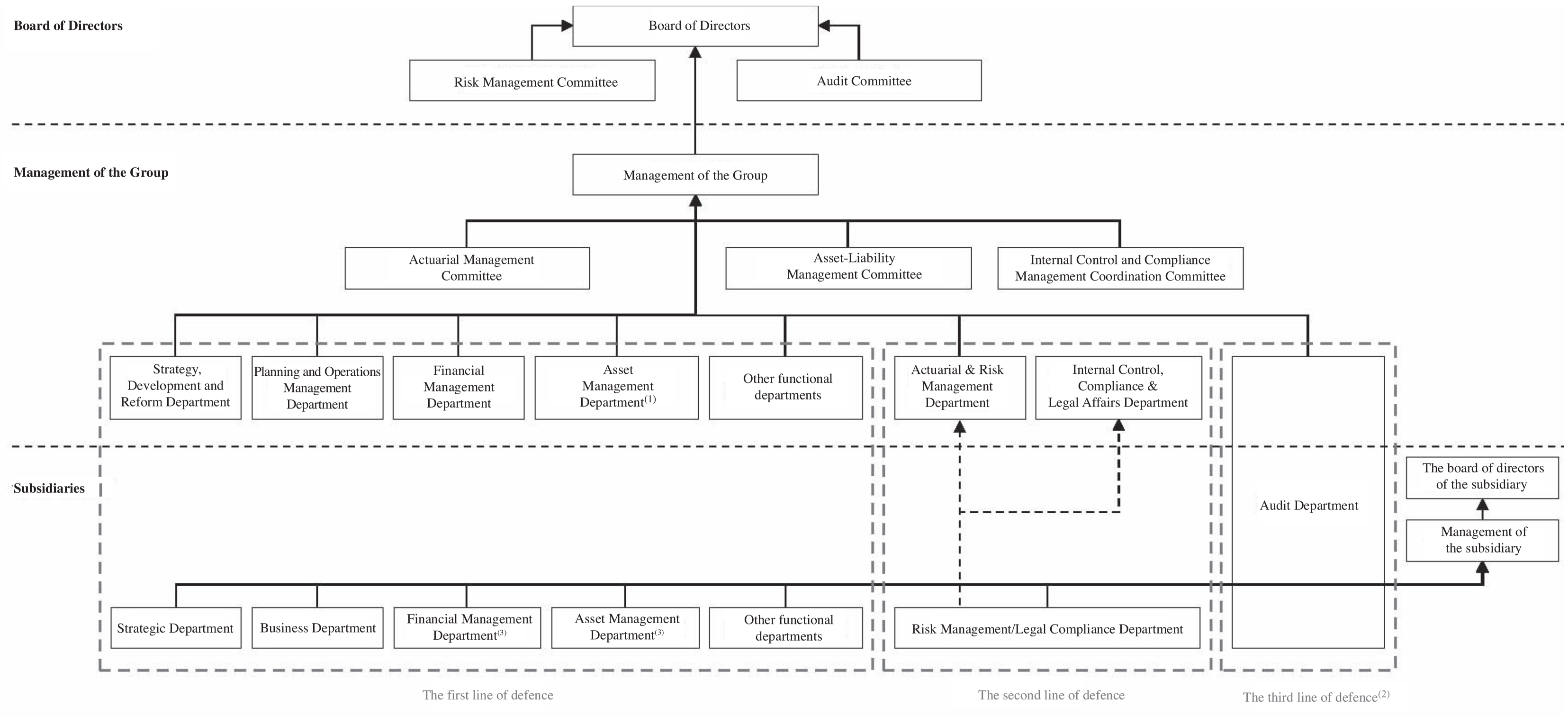
- First line of defence (business, financial, investment and other functional departments): These departments assume primary responsibility for the risks they face. They operate under the unified risk management framework of our Group to identify, analyse, evaluate and assess the risks during their daily operations;

- Second line of defence (risk management, internal control and compliance departments): These departments are responsible for establishing the risk control system, coordinating and monitoring related work, and promoting the adoption of appropriate risk prevention measures; and

- Third line of defence (audit department): Through special audit and general audit, the audit department assesses and evaluates the suitability and effectiveness of operating activities, risk management, internal control and corporate governance, and supervises the implementation of measures to remediate and address potential risks identified during the audits.

The Board, the management of the Company and the management of the subsidiaries are responsible for the effectiveness of the lines of defence within the scope of their responsibilities. All of the Group Company departments, subsidiaries and our employees are integral parts of our risk management framework and together ensure the effective operation of our "three lines of defence".

The following diagram sets out our risk management framework as at the Latest Practicable Date:



Notes:

* In the above diagram, the dotted arrow indicates functional reporting relationship, while the solid arrow indicates administrative reporting relationship.

(1) The investment risk management division of the asset management department of our Group exercises investment-related risk management functions.

(2) None of the principal subsidiaries of the Company, except for China Continent Insurance, has a separate audit department. The relevant audit functions for these principal subsidiaries are centrally performed by the audit department of our Group.

(3) China Re Life's financial management and asset management functions are managed by a single department.

Risk Management Structure

Our risk management structure is organised into three levels: the Board level, the Company management level and the principal subsidiaries level, the details of which are set out below.

The Board of Supervisors is established by our Company to supervise the conduct of the Directors and senior management of our Group in the performance of their duties.

Board of Directors

The Board assumes the ultimate responsibility for our risk management, internal control and compliance and is responsible for establishing an effective risk management system and internal control and compliance system, and formulating our Group's overall risk management strategy.

Risk Management Committee of the Board

The risk management committee is responsible for providing guidance on the establishment of the risk management framework, conducting comprehensive assessment of the major risks faced by our Group and the progress of their management and overseeing the effective operation of the risk management framework. The principal responsibilities of the risk management committee are:

- providing guidance on the establishment of the Group-wide risk management framework;
- reviewing our Group's overall policies and guidelines for risk management and internal control;
- ensuring our Group operates in accordance with the established risk management framework;
- assessing the overall risk profile and risk management of our Group;
- advising the Board on risk management; and
- reviewing and revising our Group's overall risk management strategy, major risk management policies and risk management procedures in accordance with our Group's overall strategy and promoting the uniform implementation of risk management policies and procedures.

Audit Committee of the Board

The audit committee is responsible for overseeing internal audit, monitoring the effectiveness of the internal audit function and ensuring the effective and independent performance of the internal audit function. The principal duties of the audit committee in respect of internal control are to monitor and review the soundness and effectiveness of our Group's internal control system by reviewing internal and external audit reports, internal control assessment reports and compliance reports, to review and monitor the compliance with laws, regulations and policies and to supervise the remediation of significant internal control issues identified during audits.

Management of the Company

The Company's management is responsible for the supervision of our Group's overall risk management, assisted by the actuarial management committee, the asset-liability management committee and the internal control and compliance management coordination committee.

Actuarial Management Committee

The actuarial management committee is responsible for laying the foundation for risk quantification, covering solvency and risk management, establishment of risk capital model (economic capital model), product pricing and reserving principles, which provides quantitative analyses to support the management's risk management decisions.

Asset-liability Management Committee

The asset-liability management committee is responsible for developing strategic asset allocation plans and annual asset allocation plans, each of which is developed pursuant to our Group's risk appetite, and supporting the management's decisions on asset-liability management.

Internal Control and Compliance Management Coordination Committee

The internal control and compliance management coordination committee is responsible for coordinating and supervising our Group's overall internal control, compliance and legal management within the scope of its authority.

Risk Management Departments of the Company

The actuarial & risk management department of the Company oversees our Group's risk management. Its main functions are to design, establish, implement and operate the risk management framework; to improve and to implement our Group's risk appetite system; to develop, maintain and manage economic capital models; to design risk control plans; to coordinate and supervise the risk management work of the functional departments and the operating units; to improve the risk management information system and monitoring mechanism; to analyse and research business risks thoroughly and to compile regular and specialised risk evaluation reports and to provide alerts when necessary.

The internal control, compliance & legal affairs department of the Company is responsible for leading the establishment of the internal control system, compliance management and legal affairs management work. Its principal duties are to organise the planning of and promote the implementation of the internal control system; to monitor, assess and inspect the design and the implementation of the internal control system and to promote rectification; to monitor, prevent, identify and assess compliance risks; to review rules and policies and business process; to lead the management of related transactions and anti-money laundering; to provide legal support for our Group's major decisions, major projects and corporate governance; to review contracts and other legal documents and to lead the work relating to authorisation and case management.

The asset management department of our Company is responsible for investment risk management. Its principal duties are to give risk management recommendations on major investment projects, to report on risk evaluation and to monitor investment risks.

Audit Department of the Company

The audit department of our Company is responsible for reviewing and appraising of the propriety and effectiveness of our Group's business activities, risk management and internal control; to organise the audit work of the Group and to supervise the remediation of potential risks revealed by audits; to conduct audits for the subsidiaries; to guide and supervise our Group's internal audit functions; to coordinate the Company's external audit and inspection.

Risk Management Organisations and Departments at Subsidiary Level

The board of directors of a subsidiary assumes ultimate responsibility for its own risk management. Each of our principal subsidiaries has its own risk management, internal control & compliance departments, which operate under the guidance of both the management at the subsidiary and the risk management department and internal control & compliance department at the Company level. Its principal duties are to establish the risk management, internal control and compliance systems of the subsidiary; coordinate, promote, and monitor risk management, internal control and compliance work; to organise, research and manage potential and known risks; to rectify internal control deficiencies; to keep track of relevant policies and regulations; to review major contracts and manage related transactions; and to assume anti-money laundering compliance function.

As the centralised investment platform of our Group, China Re AMC has a risk management and audit committee under its board, which is responsible for risk management, and a risk control committee under the Office of General Manager, which is responsible for organising risk management activities. It also manages internal control and compliance risk, market risk, credit risk, new business risk, operating risk and trading risk through its six respective departments.

"Responsible Officer"

Designated senior management at our Company level assume overall responsibility for our Group's risk management and compliance work, formulating and organising annual risk management plans and the implementation of our Group's compliance policy under the leadership of the Board and the president of the Company, and make recommendations on risk management and compliance improvements to senior management and audit committee on a regular basis.

Certain designated senior management at subsidiary level assume responsibility for compliance and risk management, formulating and supervising the implementation of compliance and risk management policies under the leadership of the Company, and making recommendations to the subsidiary's management and the compliance and risk management committee on a regular basis. In particular, China Continent Insurance has designated personnel in charge of legal and compliance as well as risk management of each branch. There is a "responsible officer" in charge of risk management matters on the administrative side and a "responsible officer" in charge of risk management matters on the professional side for different lines of businesses at China Re AMC, including stock investment, equity investment, real estate investment, unsecured bond investment, innovative infrastructure investment plans, innovative real estate investment plans and insurance asset management products.

Development of Risk Appetite System

We have commenced the proprietary development of the risk appetite system since 2012 and the development of the supporting economic capital models in 2011. Based on these models, we have analysed risk characteristics and established the risk appetite system of our Group, as well as set up risk tolerance, key risk indicators and limits accordingly.

The development of our risk appetite system: Firstly, we develop economic capital models to analyse the risk characteristics of the business and conduct volatility analysis of the operating results, quantify the impact of different types of risks on the operating results and derive the probability distribution of the operating results and integrate the above findings. Secondly, based on the business planning and strategy, we establish the overall risk appetite and risk tolerance of our Group encompassing the return on equity (ROE), the solvency margin ratio, credit rating and corporate compliance, which serves as risk management guidelines. Lastly, we define the specific risk limits based on risk characteristics and risk tolerance of each business segment, develop and improve detailed risk management measures and make the necessary operational adjustments accordingly.

With the establishment of the risk appetite system, we developed Group-wide risk management guidelines as the core component of the comprehensive risk management framework. The establishment of the risk appetite system determined our Group's overall risk strategy, provided guidance for risk selection in the business operations in order to maximise returns while containing risks at a manageable level. We have integrated the risk appetite system with business planning, performance evaluation and other management procedures to continue to improve the risk management framework. We have developed the supporting techniques and further enhanced the effectiveness of risk management.

Formulation of Risk Transfer Plan

We quantify risks through technical analysis and make corresponding retrocession and reinsurance arrangements. When selecting retrocession and reinsurance partners, we carefully consider potential partners' underwriting capacity and credit rating in order to effectively control counterparty risk. Please refer to the sub-sections headed "—Management of Principal Risks Exposure — Management of Catastrophe Risk" and "—Management of Principal Risks Exposure — Management of Credit Risk" in this section for further information.

Objectives and Key Risk Management Measures

The overall objective of our risk management is to obtain returns commensurate with the risks we have assumed, promote the long term stability of our business development and ensure that our solvency and reserve adequacy are in compliance with regulatory requirements. We aim, through our risk management measures, to aid the fulfilment of our Group's long term strategies while ensuring that our operations are in compliance with applicable laws and regulations, our assets are secure, our financial reports and related information are accurate and complete and our operational efficiency and effectiveness are improved. In this connection, we have mainly adopted the following measures:

Cultivating Risk Culture

We have always attached importance to risk management, and consider "internal control and risk management" as one of the three major focuses of Group management. We regard these capabilities as an important part of the Company's core competitiveness and an important safeguard for achieving sustainable development.

We regard "diversification of macroeconomic risk and assist the robust development of the insurance industry" as our mission. We have made the improvement of our risk management capabilities a key area of work and continued to make improvements to our capabilities. We have built a transparent, open and flexible culture which encourages the sharing of information throughout our business process. We organise frequent trainings on risk management philosophies and methodologies (including trainings on our risk appetite system, trainings on catastrophe risk management and other specialist trainings) and promote the exchange of risk-related information and data in order to constantly improve the awareness and capabilities of our staff. The active participation of our departments and subsidiaries in the establishment of our risk appetite system since 2012 further strengthened the risk management culture and philosophies within the Group.

We maintain the notion that "improving risk management and internal control facilitates development and improves business performance". We encourage a corporate culture which emphasises that "internal control and compliance starts with the senior management", "internal control and compliance is everyone's responsibility" and "internal control and compliance creates value". Through a combination of process design, monitoring and inspections, we create a system to prevent non-compliance, and through a combination of culture building and positive incentives, we encourage a habit of compliant operations in our staff. We proactively organise trainings relating to internal control, compliance and legal matters to constantly improve the awareness and capabilities of our staff, including trainings on internal control management philosophies and methodologies, trainings on newly promulgated laws and regulations, trainings on the identification and management of related transactions, trainings on anti-money laundering and trainings on international sanctions.

Establishing Risk Management Organisational Structure

We continue to improve our risk management organisational structure to provide safeguard for sound risk management operations:

- the Company: At Board level, we established the risk management committee and audit committee in 2007. At the management level, we established the actuarial management committee and asset-liability management committee in 2010 and the internal control and compliance management coordination committee in 2013. At departmental level, we established the risk management and audit department in 2005, which was separated into the risk management & legal compliance department and the audit department in 2009; established the asset management department in 2008; reorganised risk management and compliance functions in 2012 and formed the actuarial & risk management department and the internal control, compliance & legal affairs department;

- China Re P&C and China Re Life: China Re P&C established the risk & compliance department in 2010; merged risk management and actuarial functions in 2015 and formed the actuarial & risk management department, and established the disciplinary inspection, legal & compliance department. China Re Life established the risk management and legal & compliance department in 2011;

- China Continent Insurance: China Continent Insurance established the audit committee and the risk management committee under its board in 2004 and 2009, respectively; established the risk control & compliance department in 2008 (which was renamed risk management, legal & compliance department in 2013);

- China Re AMC: China Re AMC established the risk control and audit committee under its board in 2005 and the risk management committee under its general manager's office in the same year; established the internal control and compliance risk management department and the operation management department in 2005, established the trading management department, the portfolio and market risk management department, the fixed income research and credit assessment department prior to the end of 2009, and the appraisal management department in 2014; and

- the Company implemented a centralised audit management reform in 2013 and formed a "two-line" audit management structure. On the Company line, the internal audit organisations, personnel and functions of China Re P&C, China Re Life and China Re AMC were consolidated and centrally managed by the Company. On the China Continent Insurance line, under the supervision and guidance of the audit department of the Company, audit personnel are despatched to branch organisations and vertically managed. Through the centralised audit management reform, our Group's internal audit functions and independence was further strengthened.

Issue and Implement Policies for Risk Management

We are committed to, through the continued development of our risk management framework, promote risk management policies and guidelines, standardise risk management measures and processes, refine risk management measures and improve risk management techniques. We have developed a series of risk management systems and practices, including:

- Interim Measures on Anti-Embezzlement Management (反舞弊工作管理暫行辦法)
- Interim Measures on the Management of Related Transactions (關聯交易管理暫行辦法)
- Measures on Compliance Management (合規管理辦法)
- Interim Measures on Enterprise Risk Management (全面風險管理暫行辦法)
- Guidelines on Risk Identification, Assessment and Control (風險識別、評估和控制指引)
- Guidelines on the Format of Regular Risk Assessment Reports (定期風險評估報告內容格式指引)
- Measures on Management of Department Compliance Officer (部門合規員管理辦法)
- Guidelines on the Management of Risk Tolerance (風險承受度管理指引)
- Interim Measures on Internal Audit Management (內部審計管理暫行辦法)
- Measures on the Management of Legal Affairs (法律事務管理辦法)
- Interim Measures on Economic Responsibility Audit (經濟責任審計暫行規定)
- Interim Measures on the Audit of Directors and Senior Management (公司董事及高級管理人員審計暫行規定)
- Measures on the Management of Rules and Regulations (規章制度管理辦法)
- Measures on Rating Maintenance Management (評級維護管理辦法)
- Interim Measures on Internal Control Management (內部控制管理暫行辦法)
- Measures on the Management of Anti-money Laundering Work (反洗錢工作管理辦法)
- Overall Emergency Response Plan (突發事件應急處理總體預案)
- Operational Guidelines on Anti-money Laundering, Anti-terrorism Financing and International Sanctions (反洗錢、反恐怖融資和國際制裁操作指引)

- Interim Measures on Entrustment Management of Internal Audit Project of Subsidiaries (子公司內部審計項目委託管理暫行辦法)

- Measures on Authorisation Management (授權管理辦法)

- Interim Measures on the Management of the Risk Appetite System (風險偏好體系管理暫行辦法)

- Guidelines on Internal Control and Compliance of Internal Entrustment (內部委託內控合規指引)

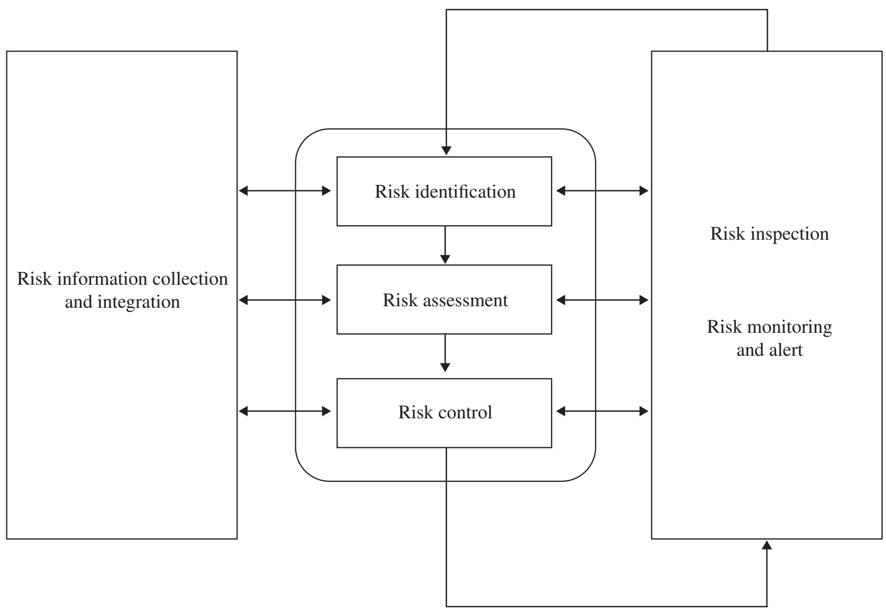
- Measures on the Management of Reputational Risks (聲譽風險管理辦法)

- Applicable US Volcker Rule Compliance Guideline (適用美國沃爾克規則合規指引)

Standardise Risk Management Process

We have formulated and standardised our basic risk management process, including risk identification, risk assessment, risk control, risk information collection and integration, risk inspection, and risk monitoring and alert, in order to ensure the realisation of the overall objective of risk management.

The following diagram sets out our basic risk management process:



As illustrated in the above diagram, risk identification, risk assessment and risk control are the core elements of our risk management process:

- **Risk identification:** We use numerous risk assessment indicators to regularly identify and analyse all types of major risks faced during operations, and establish risk tolerance standard in accordance with our financial position, business needs and the characteristics of business segments. The risk management department of the Company regularly submits reports to the management team of our Group to ensure that the management team of our Group has a comprehensive understanding of the risk profile of our Group. We also compile risk assessment reports on emerging key risks to ensure timely identification. We also conduct specific analysis and compile specific risk assessment reports on key risks. During the Track Record Period, the Company has completed 27 issues of specific risk assessment report which covered a wide range of topics, including the assessment and management of catastrophe risk, liquidity risk analysis, retrospective analysis of reserves, analysis of the impact of capital market volatility, analysis of profile of insurance liabilities and analysis of the impact of the C-ROSS regime.

- **Risk assessment:** After identifying the risks, we use a combination of qualitative and quantitative methods to conduct risk assessment. We use economic scenario generator to assess the risks associated with the economy, capital markets and investments, use catastrophe models to assess catastrophe accumulated risk inside the Group, and use economic capital models to assess risks, including insurance risk, credit risk and market risk. We also employ Monte Carlo simulation to generate VaR, TVaR and other statistical indicators and risk metrics as well as employ stress testing and scenario testing to assess risks and enhance the understanding of our risk profile. We analyse the correlation among risks, evaluate the combined effect of natural hedging among risks and apply the positive or negative correlations between different risks. We conduct dynamic management of risk information, identify emerging risks in a timely manner and conduct re-evaluation on the changes to the existing risk profile. We established the economic capital model team in 2014, which is responsible for unifying the principles of data collection, methodology and standards of the economic capital models at the Group level. This has enhanced the integration and standardisation of risk quantification of our Group.

- **Risk control:** We determine risk management focus and risk tolerance and limits, select risk management tools, and allocate risk management resources in accordance with our development strategies and conditions. We have established a tiered authorisation system covering all operational aspects and business processes and developed risk solutions. Our business departments execute risk control plan and conduct risks screening during operations and maintain our risks at an acceptable level. We also employ a variety of methods, including retrocession and reinsurance arrangements and issuance of catastrophe bonds, to transfer risks.

Improve Internal Control System

We have formulated the 2011-2012 Internal Control and Risk Management System Development Plan of China Re Group (中再集團內控與風險管理體系建設方案), Internal Control, Compliance and Legal Management Work Plan of China Re Group System 2013-2015 (中再集團系統2013-2015年內控合規法律管理工作規劃), which are important guidance documents, to define the guiding principles, objectives, framework, organisation guarantee, and other specific initiatives for the development of our Group's internal control and compliance system.

In 2011, we engaged a consulting firm to conduct an internal control consultation project aimed at conducting a comprehensive refinement of the internal control system of the Company and its principal subsidiaries, through which the risk factors and related control measures in each business and management process are systematically identified and the issues uncovered have been comprehensively rectified. This project has advanced the level of internal control of our Group. We have developed a set of policies, documents and management tools, including the Interim Measures on the Management of Internal Control (內部控制管理暫行辦法) and internal control manual, in order to meet the regulatory requirements on internal control as set out in the Basic Norms of Internal Control of Enterprises (企業內部控制基本規範) and Basic Standards of Internal Control of Insurance Companies (保險公司內部控制基本準則). Following the internal control consultation project, we continued to carry out internal control evaluations and make rectification on a rolling basis, conducted a comprehensive overall assessment of internal control on an annual basis and carried out special internal control assessment on focal areas according to our needs, on which basis we produced internal control evaluation reports and implemented remedial measures to improve the internal control system.

We continue to promote the normalisation, standardisation, and informatisation of internal control, compliance and legal management. We have developed and placed online internal control and legal compliance information systems and databases, including the database of related transactions, the database of rules and regulations, the database of litigation, arbitration and administrative penalties databases and the information system of contract management, through which we have optimised internal control management processes and improved the efficiency of internal control management. We are currently advancing the development of internal control management information system in order to continue to enhance our information technology capability in internal control management.

Strengthen the Assessment of Risk Management and Internal Control and Compliance

We have integrated risk management as part of our operating performance assessment programme and continue to enhance the assessment mechanism of risk management. For the international reinsurance business, we use the RORAC as an important assessment indicator. For other underwriting business and insurance intermediary business, we conduct special evaluations focusing on significant operating risks and internal control and compliance risks. For the asset management business, we evaluate the impact of investments on asset management clients' solvency and re-assess such impact subsequent to investments.

Risk Management System Development under the C-ROSS Regime

In 2015, the CIRC launched C-ROSS regulatory rules, which, with its "three pillars" regulatory framework, regulates the solvency of primary insurance and reinsurance companies from three perspectives: quantitative capital requirements, qualitative regulatory requirements and market discipline mechanism, under which the risk management capabilities of primary insurance and reinsurance companies will directly affect their solvency ratio. The C-ROSS regime is in a transitional period and has not been formally implemented. We, as a company, have participated in the design and development of the C-ROSS regime and have provided professional advice on key issues such as the construction of framework, technical measurements and formulation of business conduct rules. We have organised training and discussions to profoundly deepen our understanding of the impact of the C-ROSS regime. We have established capital calculation model and stress testing models for the C-ROSS risk quantification, carried out several rounds of testing and self-evaluation. We took the opportunity to advance the implementation of our Group's risk appetite system and the related management mechanism. Based on trial experience, we will continue to refine and enhance existing system in preparation for the implementation of the C-ROSS regime. We have also conducted in-depth analysis of the C-ROSS on the reinsurance market and communicated widely with our clients.

Management of Principal Risks Exposure

Management of Insurance Risk

Insurance risk is the risk of an unfavourable deviation of the actual claims and expenses from expectation, which results in unforeseen losses to primary insurance or reinsurance companies. We have established a comprehensive underwriting mechanism which employs advanced technical tools for pricing, leverage our sound claims management system to monitor and manage losses and conduct sensitivity analysis to assess the sufficiency of reserves.

Management of Product Pricing and Underwriting Risks

Product pricing and underwriting risks arise from uncertainty in future business performance in aspects including investment yields, mortality and morbidity, the frequency and severity of claims and losses, management expenditure and sales and lapses. We have established an underwriting pricing mechanism through actuarial analysis and have adopted advanced technical tools and leveraged the extensive data that we have accumulated to price and underwrite our products.

China Re P&C has employed technical strengths and experience from its long-term cultivation of the PRC market to control risk exposure through stringent risk screening and the employment of appropriate terms in its reinsurance contracts. China Re P&C also continues to make increasing use of actuarial analysis to support its underwriting decisions. The analysis is built around the proprietary core analysis system (REAPS), a quantitative analysis system which supports the management of the entire business process. Leveraging the above, China Re P&C ensures sufficient premiums for its business by accurately pricing in the underwriting process, setting appropriate profit targets based on the risk characteristics of different business lines and effective risk screening. China Re P&C also adjusts underwriting and retrocession strategies in a timely manner in accordance with changes in overall risk indicators in order to keep its overall risk exposure at a manageable level.

China Re Life determines the appropriate pricing assumptions based on industry and its own empirical data. For health insurance with higher underwriting risks, China Re Life adopts a prudent underwriting strategy to manage pricing and underwriting risks. For savings-type insurance business, China Re Life determines its appropriate investment yield assumptions with professional advice and assistance from China Re AMC, and design reinsurance solutions and conduct profit test taking into consideration of product profit margin, break-even year and new business strain.

China Continent Insurance endeavours to control pricing risk through comprehensive analysis of information including product terms, risk points, distribution channels and customer segments. China Continent Insurance has developed a pricing system with a rules engine based on a generalised linear model for family cars. China Continent Insurance conducts automated underwriting on profitable business, manual underwriting on general business, and conditional underwriting for underperforming business. The "Identifying, Controlling, Introducing" strategy is employed in daily operations to provide guidance to its branch organisations to identify quality business through data analysis, to control unprofitable business by optimising underwriting terms and conditions, and to cultivate profitable business through differential expense allocation in order to control underwriting risks.

Management of Catastrophe Risk

Catastrophe risk is the risk of heavy financial losses caused by a single incident. Catastrophe includes natural disasters such as earthquake, typhoon, and flood and man-made events such as terrorist attack, explosion or fire in underwritten facilities. An occurrence of a catastrophe may cause significant financial losses to one or more of lines of our business. Building on our existing systems, we continue to refine and strengthen our management and control of catastrophe risk while actively exploring diversified risk transfer mechanisms. Our management and control measures include:

- Set catastrophe risk limits in accordance with business profile. The actuarial & risk management department of the Company sets the aggregation on each business segment and the subsidiaries determine regional catastrophe risk limits to effectively spread risk.

- The underwriting department screens catastrophe risk and selects familiar catastrophe businesses within the risk limit. Business plans are determined by assessing the degree of risk and return based on the degree of exposure of catastrophe risk. For example, China Re P&C has set up event limit for each contract in the underwriting process, while using co-insurance and inward facultative reinsurance capacities.

- Explore the functionality of catastrophe models including RMS and AIR model, to enhance the reliability of analysis results. We have worked with RMS to update the RMS China typhoon module. At the same time we worked with AIR to enhance catastrophe risk management capability. We regularly carry out full-scale estimation and monitoring for risk accumulation. We monitor PML indicators via RMS and AIR module to control risk aggregation for catastrophe and adjust underwriting and retrocession strategy when necessary. In our international business, we have set business limits to strictly control risk accumulation in un-modelled regions. In our domestic business, we incorporated relevant extra pricing margin into the underwriting process to further strengthen control of pricing risks.

- Arrange for relevant catastrophe excess of loss retrocession and reinsurance schemes and the exchange of business with other reinsurers to spread catastrophe risk. In addition, we employ innovative capital market tools such as catastrophe bond with the aim to provide safeguard for risks, widen risk transfer channels and increase the effective means of managing catastrophe risk. Other than providing excess of loss reinsurance protection, we introduce clauses into certain of our proportional reinsurance contracts to adjust fees in the event of major claim to alleviate the financial losses arising from catastrophe.

Management of Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds or the inability to obtain sufficient funds in a timely manner at a reasonable cost, in order to pay debt as it falls due or to fulfil other payment obligations.

We finance our operations principally from insurance premium income as well as the related investment income. We are in strict compliance with regulatory requirements in allocating 5% of our total assets to current assets recognised by regulatory authorities, and we also seek to effectively match, to the extent possible, the cash inflow of our investment assets with the cash outflow required by our insurance policies. We are also able to employ a range of measures, including bank financing, repurchase agreements and the sale of investment assets, in order to address the mismatch in cashflows arising from our need for liquid funds.

Our specific measures to safeguard against liquidity risk include: improving the design and management of insurance products; monitoring and managing our liquidity position; establishing liquidity risk warning indicators to detect and give alerts of any irregularities, conducting regular cash flow tests and formulating detailed plans based on the above in order to constantly improve the accuracy of our funding forecasts.

Management of Credit Risk

Credit risk is the risk caused by the failure of our debtors or counterparties to perform or timely perform their contractual obligations, or an unfavourable change in the credit status of relevant parties.

We employ a combination of quantitative and qualitative methods to perform comprehensive analysis with regard to counterparty's industry, corporate governance, financial factors and development prospects. We also implement a credit rating methodology which is based on industry segmentation and credit spread assessment and use the assessment results to analyse investment products and the product issuers. We employ a diverse range of methods, including imposing total limits, covering credit authorisation for counterparties and diversifying our fixed-income investment portfolio, to reduce credit risk. We have established an internal credit management system and 29 industry credit rating models covering the main debt issuing industries in the market. In our credit rating process, we take a prudent approach by conducting an initial assessment and a review of the credit rating before ultimately determining its credit rating through a vote. Furthermore, we have strengthened our management of credit risk by dynamic tracking and monitoring of credit risk.

We adopt a prudent approach to control counterparty credit risk in retrocession and reinsurance by taking into account of factors including credit-worthiness, credentials, capital strength and past relationship in selecting retrocessionaires and reinsurers. We primarily rely on the credit ratings and the capital strength of the retrocessionaires and reinsurers to assess their creditworthiness, and further conduct an annual review of their credit status in order to monitor counterparty credit risk on an ongoing basis.

Management of Concentration Risk

The concentration risk which we face primarily includes insurance concentration risk and investment concentration risk.

Insurance concentration risk mainly arises from a relatively high concentration of counterparties, and the accumulated risk of single risk exposures or a specific event. Due to the relatively high concentration in the current PRC primary P&C insurance market, we have a relatively high counterparty concentration in our P&C reinsurance business. As the leading reinsurer in the PRC P&C insurance market, we have relatively high single risk exposure accumulation. In response, we have adopted risk transfer measures, including per risk excess of loss, in order to lower net retention and control accumulated risk. We continue to strengthen catastrophe risk controls and proactively explore diversified catastrophe risk transfer mechanisms in order to address specific event risk accumulation. Please refer to the sub-section headed "— Management of Insurance Risk — Management of Catastrophe Risk" in this section for further information.

Investment concentration risk mainly arises from the risk of loss resulting from a significant portion of our investments being concentrated in a single asset, asset class or a single entity. We determine the concentration limit for investment in a single asset or a single counterparty in accordance with regulatory requirements and our own risk appetite. We plan to further diversify our investment portfolios by increasing investment in new investment vehicles and new regional markets.

Management of Market Risk

Market risk is the risk of adverse fluctuations in interest rates, exchanges rates, equity prices and commodity prices which results in unanticipated financial losses to the Company. The main risks are exchange rate risk, interest rate risk, equity price fluctuation risk and other price-related risks. We use specialised information technology systems and a combination of quantitative and qualitative methods to analyse and assess the market risks associated with our investment portfolios on a regular basis. We use various quantitative models to assess market risk, including sensitivity analysis, VaR modelling and stress test; we conduct sensitivity analysis on our fixed-income securities and equity portfolios to assess the risk of interest rate or equity index fluctuations; and we also conduct regular stress tests to monitor compliance with internal limits for solvency and capital. We adopt a prudent investment strategy, taking into account market conditions and the characteristics of the entrusted assets to proactively adjust our allocation strategy and effectively alleviate the impact of market fluctuations on our investment portfolios through optimising adjustments to asset allocation. We use policy research and macro data analysis to assess market conditions, discuss market conditions regularly and on an ad-hoc basis and closely monitor market developments to ensure systemic risk can be avoided in a timely manner.

Management of Interest Rate Risk

Our interest rate risk mainly arises from losses due to interest rate fluctuations in long-term fixed-income debenture or in liabilities of insurance contracts whose benefits are not affected by related investment portfolio earnings. We monitor and assess interest rate risk through sensitivity analysis and stress tests, regularly reviewing portfolio maturity while endeavouring to match the maturity of assets and liabilities by adjusting the structure and duration of our investment portfolio (including adjusting investment strategies in accordance with market conditions) to manage our interest rate risk. Further, an increase in interest rate may lead to an increase in policy surrenders. We regularly conduct cash flow tests, monitor the surrender rate, and adopt measures in contracts designing to reduce the likelihood of policy surrenders.

Management of Exchange Rate Risk

Some of our assets and liabilities are denominated in Hong Kong dollars, US dollars, and other foreign currencies. In addition, some of the income from our international business is also denominated in foreign currencies. Our exchange rate risk arises from fluctuations in exchange rates between RMB and the aforementioned foreign currencies. We take into account investment opportunities and the associated investment risks and match assets and liabilities in the same currency to control our exchange rate risk. The vast majority of our financial assets and financial liabilities are denominated in RMB.

Management of Equity Price Risk

Price risk is the risk arising from fluctuation in the price of equity assets and in the fair value of future cash flows of a financial instrument due to market fluctuation (other than the fluctuation arising from interest rate risk or exchange rate risk), regardless of whether the relevant fluctuation is caused by factors affecting individual equity asset or financial instruments or their issuer, or factors affecting all similar financial instruments traded in the market. Our price risk mainly relates to securities investments. We use various measures to manage equity price risk, including investment portfolio diversification and setting limits on the maximum proportions of investment in different securities. We conduct regular assessment and analysis of the market risk facing our equity investment portfolios by tracking quantitative benchmarks including VaR, β and sector deviation to ensure that the market risk in relation to our equity investment portfolios is limited to a manageable level. To manage the price risk associated with equity investment, prior to making the investment, we adopt an approach of stock pool management by selecting stocks for investment from a stock pool and allocating dedicated staff to manage the stock pool. After having made an investment, we employ a stop-loss stock investment mechanism and take pre-determined actions if the loss on a single stock asset reaches a prescribed threshold to ensure that losses are controlled within a certain range.

Management of Solvency Risk

Solvency risk is the risk of an insurance company losing its ability to pay its due debt or to meet its future obligations.

In accordance with the relevant requirements of the CIRC, we have established solvency risk management mechanisms to manage solvency risk before, during and after the relevant event and have strengthened our internal controls. We have implemented capital constraint mechanisms and take into account the impact of decisions on solvency when deciding business strategies, business plans, product design and capital utilisation. We conduct solvency sufficiency monitoring in a timely manner to understand solvency risk factors and have established a solvency reporting mechanism; in addition we conduct appropriate dynamic solvency forecasts and have established a solvency alert system.

In relation to C-ROSS regulations, we have proactively launched training and discussions to deepen our understanding of the impact of the C-ROSS regime. We continue to update and strengthen our risk management system and improve the C-ROSS calculation template as a testing tool to conduct dynamic analysis on the daily management of solvency. Please refer to the sub-section headed "— Objectives and Key Risk Management Measures — Risk Management System Development under the C-ROSS Regime" in this section for further details.

Management of Asset-Liability Mismatch Risk

Asset-liability mismatch risk is the risk arising from a mismatch between the duration, cash flows and returns of assets and liabilities.

On the premise of ensuring solvency sufficiency and maintaining stable credit rating, we formulate different assets and liabilities management strategies in accordance with the characteristics of the liability of insurance products. As for our P&C reinsurance and primary insurance businesses, we aim to increase investment returns while maintaining necessary liquidity in the investment management process to ensure claims requirements could be met. As for our life reinsurance business, we focus on matching and optimising the duration and returns of assets and liabilities while maintaining the necessary cash flow. We continue to optimise the matching of assets and liabilities by utilising the internal asset-liability management mechanisms established within our Group as well as the constantly expanding investment channels. Furthermore, we adopt an "assets driving liabilities" business model to design insurance products in accordance with available investment opportunities, thereby allowing the relevant assets and liabilities to be better matched.

Management of Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate internal operation procedures, personnel, systems, or external events, including legal and regulatory compliance risk.

Through the establishment of our internal control matrix, we are able to identify potential operational risks relating to the Company, including its processes and IT. We define relevant control measures, control frequency, type and nature of control, and the principal responsible controlling entity for each type of risk and drew up process flow diagrams to guide the operational management of important processes in accordance with regulatory requirements and the policies of our Group. We assess the soundness, appropriateness and effectiveness of our operational risk control measures through annual internal control assessment and special internal control assessments in order to detect and remediate any shortcomings in the internal control matrix in a timely manner. We endeavour to keep our operational risks at a manageable level. Each of our principal subsidiaries combines the above measures with its own internal control and compliance system to manage its operational risks.

Sanctions Risk Management

As a reinsurer, insurer and insurance broker with cross-border business activities (including investment activities), we are subject to the regulatory regimes of various countries, including applicable economic and trade sanctions programmes administered by supranational organisations and foreign governments, such as the United Nations, the United States and the European Union. These sanctions are imposed in connection with doing business with, or affecting, certain countries, their citizens or entities, specially designated nationals or other persons or entities that may be doing business with targeted countries, persons or entities.

We have developed and implemented written policies, procedures, systems and internal controls, including screening procedures, with respect to our reinsurance business since May 2013, to help more effectively mitigate sanctions risk. Our current written policies, adopted in July 2015, apply to our global reinsurance, primary insurance and insurance brokerage businesses as well as our investment activities. Under these newly-adopted policies, we may not enter into any transaction with any counterparty, or involving any subject matter of insurance, that is located in any jurisdiction on our prohibition list (subject to updating from time to time), or with any person listed on various sanctions lists, such as the List of Specially Designated Nationals and Blocked Persons administered by the United States Treasury Department's Office of Foreign Assets Control ("OFAC") or entities which are owned or controlled by one or more persons that are identified on a sanctions list. "Counterparties" for purposes of our current policies include ceding companies, brokers, retrocessionaires, and underlying policyholders, insureds and beneficiaries in our reinsurance business, policyholders, insureds and beneficiaries in our primary insurance business, brokerage clients and ship owners in our insurance brokerage business and guarantee applicants (counter-guarantee providers), ship owners, demise charterers and beneficiaries in connection with our maritime guarantee business.

In addition, we maintain a list of high-risk commodities and industries with respect to the sanctions programmes of the United Nations, the United States and the European Union. Any transaction involving any subject matter of insurance related to any of the commodities or industries on the list is subject to heightened scrutiny, so as to reduce our risk of engaging in potentially sanctionable activities.

In accordance with industry practice, to the extent commercially practicable, we will also include an appropriate sanctions exclusion clause in our reinsurance or insurance contracts. A typical sanctions exclusion clause provides that there is no coverage for any activity, and we shall not be liable to pay any claim or provide any benefit under the relevant contract, to the extent that the activity or such payment or provision would expose us to any sanction, prohibition or restriction under a sanctions programme administered by the United Nations, the United States, the United Kingdom, the European Union or another relevant jurisdiction.

Furthermore, we conduct sanctions-related trainings for our management and our business, financial and compliance staff from time to time, and we also encourage our other employees to attend these training sessions.

Management of Strategy Risk

Strategy risk is the risk arising from ineffective strategy formulation and implementation or a mismatch arising from a change in the operating environment between the formulated strategy and the market environment and a company's capabilities.

We have adopted relevant measures to manage strategy risk, which include:

- establishment of a strategy planning and management system; we have established a strategy management structure of "Board (and its Strategy and Investment Committee) — Management — Strategy management department" at the Group Company level, clearly defining the strategy management responsibilities at each level of the organisational hierarchy. We have also established similar multi-level strategy management structures in the subsidiaries. In addition to closely working with our Group's strategy management bodies, the subsidiaries can also formulate, implement, assess, adjust, and refine their own strategy management mechanisms according to their own business characteristics;

- constant refining of internal and external channels for information flows in order to develop stable information and data sources, form an internal operating assessment system and an external macro-environment analysis system and strengthen knowledge of, and research on, internal and external environments;

- formulate clearly defined planning cycles and implement on a rolling basis from year to year whilst maintaining real-time assessment and adjustment on the frequency of strategy risk monitoring to provide effective support for the formulation of strategic plans; and

- establish alert mechanisms to track the implementation of strategies and the achievement of the organisation's strategies, and adjust strategic goals in a timely manner according to internal and external environments.

Management of Reputational Risk

Reputational risk is the risk of loss arising from negative perception of stakeholders of a company as a result of the business management of the company or external events. We may encounter negative reporting in the course of business operation which may cause significant damage to the Company's reputation and adversely affect the Company's operations.

In order to effectively manage reputational risk, we have established policies including Reputational Risk Management Framework Programme (聲譽風險管理工作方案), Measures on the Management of Reputational Risk (聲譽風險管理辦法) and Implementation Rules on Emergency Handling of Negative Publicity (不利輿情應急處理實施細則) in accordance with the requirements of the CIRC's Guide to Management of Reputational Risk by Insurance Companies (保險公司聲譽風險管理指引), and formulated the principle of "direct responsibility, focus on prevention, timely response, compliance management". We have mainly adopted the following measures for managing reputational risk:

- clearly define responsibilities at each level and divide responsibilities within our Group according to three specific sections (development of reputational risk management policies, prior assessment and daily preventions, and reputational incident handling) in order to ensure the effective reputational risk management;

- establish provisions for the management framework, management mechanisms, working processes, assessment procedures and classification of reputation incident according to circumstances;

- formulate practical emergency response mechanism on negative publicity, establish rules on routine monitoring, classification and categorisation, organisational guarantee in relation to negative publicity in reputational incident and clearly define the process of negative publicity emergency response plan; and

- strengthen brand and reputation building, continue optimising and enhancing professional expertise in brand management, and actively explore the different methods for brand name protection and dissemination, in order to promote business development and raise the profile of our brand.

COMPETITION

As the only domestic reinsurance group in the PRC, we have achieved a strong competitive position in the PRC reinsurance and primary insurance markets. We offer P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management, insurance intermediary and other products and services to a wide range of clients and customers. Although we compete with many other companies in each of our business segments, we believe that we are able to maintain our competitive position in the PRC reinsurance and primary insurance markets by leveraging our competitive strengths.

We face competition in each of our business segments, and the major factors affecting such competition are as follows:

- formulation and implementation of strategies and business plans;
- market position and brand recognition;
- network for customer services and long-term relationships with clients and customers;
- diversity, expertise and innovation ability in respect of products and services;
- underwriting, actuarial, pricing, claims settlement and market development capabilities;
- risk management capabilities;
- investment management capabilities;
- financial strengths and capital management capabilities;
- professional teams;
- information technology systems; and
- international ratings.

During the Track Record Period, we faced intensified competition across all of our business segments as a result of increasing competition among the existing market participants, as well as a growing number of market entrants. Our primary competitors include large foreign reinsurance companies and domestic primary P&C insurance companies. We believe that our core competitive strengths include our leading position in the PRC reinsurance industry, strong client and customer base, reinsurance-focused, diversified businesses, advantages in domestic data and technical expertise, proficient asset management, strategic planning for emerging businesses, centralised management and control at the Group Company level, solid risk management capability and experienced management team. Some of our competitors also have competitive strengths in operating experience, capital, technical expertise and diverse product and service offering. Please refer to the section headed "Risk Factors — Risks Relating to the Reinsurance and Insurance Industries — If we cannot effectively respond to the increasing competition in the reinsurance and insurance industries, in particular in the PRC, our profitability and market share could be materially and adversely affected."

Competition in the P&C Reinsurance Market

The participants in the PRC P&C reinsurance market primarily consist of domestic reinsurance companies, domestic branches of overseas reinsurance companies in the PRC and international reinsurance companies which carry out businesses in the PRC market on an offshore basis. According to the data published by the CIRC, as at 30 June 2015, there were one domestic reinsurance company, namely, China Re P&C, domestic branches of seven overseas reinsurance companies, and over 200 international reinsurance companies carrying out businesses in the PRC P&C reinsurance market on an offshore basis. The seven foreign reinsurance companies with branches in the PRC consisted of Swiss Re, Munich Re, SCOR, Taiping Reinsurance Co., Ltd., Hannover Rück, Lloyd's and General Reinsurance AG. According to the data published by the CIRC, we ranked first with a Market Share in terms of Premiums Ceded of 33.1% in the PRC P&C reinsurance market in 2013.

In addition to the PRC reinsurance market, we engage in international P&C reinsurance business in Asia, Europe and North America markets as well as at Lloyd's, together with international and local reinsurance companies. We currently have a relatively small amount of international P&C reinsurance business.

In recent years, the competition in both the PRC and international P&C reinsurance markets has been intense. Affected by factors such as an increasing number of new entrants in the PRC reinsurance market, the establishment of new PRC reinsurance entities funded by private capital, the establishment of reinsurance entities by PRC primary insurance companies as encouraged by the New Ten Guidelines and the increasing presence of alternative capital in the PRC reinsurance market, the competition in the PRC P&C reinsurance market will remain fierce in the future. However, we believe that, benefiting from our competitive strengths, such as our established leading position in the PRC P&C reinsurance market, longstanding relationships with our clients, strong local advantages through our roles in the development of the PRC insurance industry and our advantages in strategic management, professional talent, data analysis and technical expertise, we are well positioned to capture opportunities arising from the PRC P&C reinsurance industry and further enhance our core competitiveness and influence. In the international reinsurance market, we intend to steadily expand our presence by leveraging our existing overseas platforms, active exploration and expansion of business channels and increasing cooperation with business partners.

Competition in the Life and Health Reinsurance Market

The PRC life and health reinsurance market consists of one domestic reinsurance company, domestic branches of overseas reinsurance companies, and international reinsurance companies carrying out businesses in the PRC market on an offshore basis. According to the data published by the CIRC, as at 30 June 2015, there were one domestic reinsurance company, namely, China Re Life, and domestic branches of six overseas reinsurance companies (namely, Hannover Rück, Munich Re, Swiss Re, SCOR, General Reinsurance AG and RGA), engaging in the life and health reinsurance business in the PRC. According to the data published by the CIRC, in each year from 2003 to 2012, China Re Life consistently ranked first with a Market Share in terms of Premiums Ceded of over 50% in the PRC life and health reinsurance market. In 2013 China Re Life ranked second with a Market Share in terms of Premiums Ceded of 37.7%, and ranked first when financial reinsurance was excluded, in the PRC life and health reinsurance market.

In addition, China Re Life took the initiative to carry out cross-border RMB reinsurance business in Hong Kong in 2010, and has since expanded the business into markets including Macau, Singapore and Taiwan. With the easing of the cross-border RMB settlement policies, certain international reinsurance companies and PRC primary life and health insurance companies have gradually entered into the market. According to the data published by the OCI, in 2014, our TWPs from newly reinsured RMB-denominated individual insurance policies in Hong Kong accounted for 42% of the total new business premiums of RMB-denominated individual insurance policies underwritten by the primary insurers in Hong Kong, and we took a leading position in such market.

With the publication of the New Ten Guidelines, the steady implementation of the market-oriented reform of premium rates and the launch and the upcoming implementation of the C-ROSS regime, the PRC life and health insurance market is expected to experience rapid growth amidst the industry's transformation and upgrade. Life and health insurance companies are expected to have higher level of demand for risk pricing and management, and the demand for reinsurance solutions is expected to remain robust. In the PRC life and health reinsurance market, as the New Ten Guidelines encourage primary insurance companies to establish reinsurance entities and given the new entry of overseas reinsurance companies into the market, it is expected that the number of competitors in the PRC life and health reinsurance market will continue to grow, and competition will remain fierce. At the same time, the C-ROSS regime will impose risk capital requirements on domestic branches of overseas reinsurance companies, which will be subject to similar capital requirements as those for domestic reinsurance companies, leading to a more level playing field in the PRC market. In the cross-border RMB reinsurance market, with the increase of the number of players, competition will continue to intensify. We believe that China Re Life will be able to continue to consolidate its market position in core business lines by leveraging its market influence and brand recognition, its expertise and local data advantages, actuarial and pricing capabilities, client base and quality of service, innovation capabilities, talent resources, as well as its capital strength and risk control capabilities and experience despite the above challenges.

Competition in the Primary P&C Insurance Market

According to the data published by the CIRC, as at 30 June 2015, there were 48 PRC P&C insurance companies and 22 foreign P&C insurance companies licensed to carry out primary P&C insurance business in the PRC. According to the data published by the CIRC, in terms of Original Premium Income, the top six market participants, namely, PICC P&C, Ping An P&C, CPIC P&C, China Life P&C, China United and China Continent Insurance, had market shares of 34.2%, 19.1%, 11.3%, 5.7%, 5.1% and 3.1%, respectively, in the PRC primary P&C insurance market in the first half of 2015.

The PRC primary P&C insurance market is concentrated. According to the data published by the CIRC, there were nine primary P&C insurance companies in the PRC primary P&C insurance market with Original Premium Income in excess of RMB10 billion in 2014. According to the CIRC, in 2012, 2013, 2014 and the first half of 2015, the aggregate market share of the top nine commercial primary P&C insurance companies was 82.8%, 83.1%, 83.7% and 84.8%, respectively, in terms of Original Premium Income. In recent years, the establishment and rapid development of insurance companies with industry and regional backgrounds in sectors such as power, petroleum and railway and the rapid development of the Internet insurance business have also contributed to the intensified market competition. In addition, the market-oriented reform of commercial motor insurance is leading to the increasing differentiation in the primary P&C insurance industry. Benefiting from advantages in brand recognition, capital, talent, innovation and integrated resources at group level, large insurance companies may be in a stronger competitive position, and their market shares are expected to increase.

Leveraging our nationwide distribution network, extensive customer base, solid underwriting capabilities, proactive adaptability to market changes and strong innovation capabilities, we believe that we are well positioned to maintain healthy and sustainable development of our businesses in the increasingly competitive primary P&C insurance market.

Competition in the Asset Management Business

Our asset management business mainly focuses on the management of internally entrusted assets, and also seeks to actively develop the business of providing entrusted asset management services for third parties. In respect of our asset management business, we primarily compete on talent, innovation ability, risk management and control capabilities, and third-party client resources. As the asset management industry enters into a "Big Asset Management" era, financial institutions including insurance companies, banks, trust companies, securities companies will all become active market participants. The key aspects of the industry competition include the ability to attract highly-qualified talent, the ability to provide innovative asset management solutions to clients, the ability to control risks and conduct operation management, and the ability to provide attractive and stable investment returns for clients.

Our asset management business has adhered to the "talent first" strategy and is committed to attracting high-end talent through a market-oriented incentive mechanism. In addition to refining our traditional business areas, we actively develop innovative businesses and continue to enhance asset allocation and portfolio management capabilities. In the future, we intend to continue to adapt to evolving market trends, promote asset management business plans, build up investment sub-platforms under China Re AMC such as open market investments, alternative investments, real estate investments, overseas investments and insurance asset management product development. We also intend to make use of "big data," cloud computing and other Internet-based technologies to further promote service innovation in our asset management business. We will also enhance risk control and operation management abilities and strengthen the middle and back office support for our business. We believe that, leveraging our prudential investment principles and continuously improved investment management capabilities, we will be able to capture the opportunities in the industry and achieve steady development of our asset management business.

BUSINESS ACTIVITIES WITH SANCTIONS TARGETS

The United States, the countries of the European Union and other jurisdictions, including the implementing decisions of the United Nations Security Council, have economic sanctions programmes that comprehensively and broadly target countries or regions, including the Crimea region, Cuba, Iran, North Korea, Sudan and Syria (collectively, "Sanctioned Countries") and that target certain persons and entities, such as persons identified on lists maintained by OFAC, including OFAC's List of Specially Designated Nationals and Blocked Persons (collectively, "Sanctioned Persons" and, together with the Sanctioned Countries, "Sanctions Targets").

As a reinsurer, insurer and insurance broker with cross-border business activities (including investment activities), we are subject to the sanctions programmes of various jurisdictions. Due to the complex nature of the risks we underwrite and our cross-border business activities, as well as the complex and evolving nature of the sanctions programs, it may not always be possible for us to avoid all contacts with or involving Sanctions Targets.

During the Track Record Period and until the Latest Practicable Date, as part of our P&C reinsurance business, we entered into three reinsurance contracts with a Cuban cedant that expired on 31 December 2012. The total premiums ceded from the Cuban cedant were approximately RMB3.0 million, and the total claims that we paid under the reinsurance contracts were approximately RMB1.4 million. In addition, as at the Latest Practicable Date, we had a P&C reinsurance contract entered into with an Iranian cedant in 2011 which expired on 30 September 2015. Such Iranian cedant was on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") as at the Latest Practicable Date, and the transaction with such Iranian cedant falls within the scope of the U.S. sanctions as advised by our legal advisers as to U.S. sanctions law. The premiums ceded from the Iranian cedant were approximately RMB0.3 million, with no claim paid under the reinsurance contract as at the Latest Practicable Date. Payments of claims in two U.S. Dollar-denominated transactions involving Iran and Cuba, respectively, have been blocked by U.S. financial institutions on the basis that the payments were made to an Iranian entity on the SDN List and a state-owned Cuban entity. As at the Latest Practicable Date, the aggregate payments of claims blocked by U.S. financial institutions were US$232,519.51, and our reinsurance contracts with the relevant entities had expired.

We are also committed to participating in the reinsurance of an energy project company in Russia that is majority-owned and operated by an entity that is named on OFAC's Sectoral Sanctions Identifications List. The Sectoral Sanctions Identifications List includes entities determined by OFAC to be operating in certain sectors (such as energy) of the Russian economy and subject to sanctions under Executive Order 13662. With regard to the party associated with the energy project that we are committed to reinsuring, the relevant OFAC directive prohibits transacting in, providing financing for, or otherwise dealing in debt of longer than 90 days maturity is issued on or after the date that sanctions were imposed by, on behalf of, or for the benefit of this particular entity, its property, or its interests in property. This directive only prohibits transactions by or on behalf of U.S. persons or within the United States. We believe our provision of reinsurance will not be in violation of these sanctions.

In addition, during the Track Record Period, we have entered into certain cargo and vessel reinsurance contracts with Chinese companies in which Iran was along the shipment routes, and certain engineering reinsurance contracts where the insured subjects were located in Iran. Although we believe that our clients in these transactions generally are not Sanctions Targets, such transactions may expose us to indirect contacts with Sanctions Targets. The premiums from such transactions constituted a very small percentage of our total income during the Track Record Period.

Furthermore, we participated through direct insurance in the coinsurance of the cargo insurance business of an entity targeted for sanctions by the United States Department of State under the Iran Sanctions Act. Under the applicable sanctions, this entity is prohibited from receiving U.S. export licenses, U.S. Export Import Bank financing, and loans over US$10 million from U.S. financial institutions. This entity is not on the SDN List. We believe that this transaction does not raise sanctions risk for our Group arising from the sanctions imposed in respect of this entity under the Iran Sanctions Act.

As part of our insurance intermediary business, we conduct inspections and process claims for vessel accidents in the PRC on behalf of overseas insurance companies and provide maritime guarantee services. During the Track Record Period, we generated an aggregate revenue of approximately RMB0.9 million in such business from certain Iranian clients. Two of these Iranian clients were on the SDN List as at the Latest Practicable Date, and the transactions with such Iranian clients fell within the scope of the U.S. sanctions as advised by our legal advisers as to U.S. sanctions law. In addition, in 2013, we provided loss adjusting services to an Iranian insurance company for which we received service fees of approximately RMB0.01 million. We had terminated all transactions with Iranian clients in our insurance intermediary business in August 2015.

Under our current Group-wide sanctions policies, we may not enter into any transaction with any Sanctioned Persons or with any counterparty, or involving any subject matter of insurance, that is located in Iran, Syria, Sudan, North Korea or Cuba. Our Group-wide sanctions policies were recently adopted in July 2015. Prior to that, we had written policies in place since May 2013 with respect to our reinsurance business and since March 2014 with respect to maritime guarantee activities within our insurance brokerage business, and these 2013 and 2014 policies did not apply to our primary insurance business, our investment activities or the rest of our insurance brokerage business. As a result, it is difficult for us to enumerate, or assess the full extent of, our direct and indirect contacts with, and businesses indirectly involving, Sanctions Targets prior to such periods. For more details, please refer to "— Risk Management — Management of Principal Risks Exposure — Management of Operational Risk — Sanctions Risk Management" and "Risk Factors — Risks Relating to Our Business — If we are deemed to be in violation of applicable laws and regulations relating to sanctions, our reputation, business, results of operations and financial condition could be adversely affected."

Sanctionable Activities

Taking into account the advice given by our legal advisers as to sanctions laws in the U.S., the E.U. and Hong Kong and United Nations Security Council resolutions, based on their review of information that we have identified and made available to them, we believe that our business activities that fell into the scope of sanctionable activities during the Track Record Period and up to the Latest Practicable Date primarily include (i) the reinsurance contract with an Iranian cedant on the SDN List in 2011 which expired on 30 September 2015, (ii) the transactions with two Iranian clients on the SDN List in our insurance intermediary business, which had been terminated in August 2015, and (iii) payments of claims in our two U.S. Dollar-denominated transactions involving Iran and Cuba, respectively, which has been blocked by U.S. financial institutions with the underlying reinsurance contracts with the relevant entities having expired.

Business Activities with the Iranian Entities on the SDN List

Under the Iran Freedom and Counter-Proliferation Act of 2012 ("IFCA"), Section 1246(a), the U.S. government may impose sanctions (subject to certain exceptions) on companies that knowingly provide underwriting services, insurance or reinsurance to or for any Iranian individual or entity on the SDN List. As advised by our legal advisers as to sanctions laws in the U.S., our business activities with the three Iranian entities on the SDN List fall within one of the categories of sanctionable activities under the IFCA and therefore expose us to a risk of being sanctioned by the U.S.

Pursuant to the 14 July 2015 announcement of a Joint Comprehensive Plan of Action regarding the Islamic Republic of Iran's Nuclear Program (the "JCPOA"), the United States commits to cease the application of, and to seek such legislative action as may be appropriate to terminate, or modify to effectuate the termination of, all nuclear-related sanctions as specified in an Annex to the JCPOA, including sanctions on the provision of underwriting services, insurance or reinsurance in connection with activities consistent with the JCPOA, such as activities with certain identified individuals and entities on the SDN List and under IFCA Section 1246(a).

As advised by our legal advisers as to sanctions laws in the U.S., if the U.S. government were to determine that our Group knowingly engaged in a sanctionable activity under IFCA, the U.S. government, subject to certain qualifications, would be authorised to impose any of the following sanctions:

- denial of assistance from the U.S. Export-Import Bank in connection with the export of any goods or services to the sanctioned party;

- denial of any export license or permission to export any goods or technology to the sanctioned party;

- prohibiting U.S. financial institutions from making a loan or providing credit of more than US$10 million in any 12-month period to the sanctioned person, subject to certain exceptions;

- denial of the sanctioned person's ability to serve as a procurement contractor to the U.S. government;
- prohibiting any transactions in foreign exchange that are subject to U.S. jurisdiction and in which the sanctioned person has any interest;
- prohibiting any transfers of credit or payments between financial institutions and the sanctioned party, to the extent that such transfers are within U.S. jurisdiction;
- blocking the property, or interest in any property, of the sanctioned person that is within U.S. jurisdiction;
- prohibiting any United States person from investing in or purchasing significant amounts of equity or debt instruments of the sanctioned person;
- denial of visa to, and exclusion from the United States of, any non-U.S. person who is determined to be a corporate officer or principal of, or a shareholder with a controlling interest in, the sanctioned person;
- sanctions directly on principal executive officers of the sanctioned person; and
- sanctions that the U.S. President may determine are appropriate to restrict imports with respect to the sanctioned person.

As advised by our legal advisers as to sanctions laws in the E.U. and United Nations Security Council resolutions, certain E.U. or UN sanctions measures specifically apply to insurance and reinsurance businesses if the insurer or reinsurer is engaged in prohibited activities within the applicable legal jurisdiction of those measures. However, taking into account the advice given by our legal advisers as to sanctions laws in the E.U., we believe that our business activities are not prohibited activities under the relevant sanctions laws and regulations in the E.U. As advised by our legal advisers as to United Nations Security Council resolutions, the United Nations Security Council resolutions do not have binding direct effect in any jurisdiction of which we are aware.

As at the Latest Practicable Date, we were not subject to sanctions, nor have we been notified that any sanctions will be imposed on us.

Blocked Payments by U.S. Financial Institutions

We have fully settled the payment of US$229,253.27 to the Cuban cedant in pounds sterling through another financial institution, which does not raise any sanctions risk under U.S. or E.U. sanctions, as it did not involve U.S. dollars or a U.S. bank, and the E.U. has not imposed sanctions in relation to Cuba. As at the Latest Practicable Date, we had not settled the payment to the Iranian cedant. There remains a de minimis amount outstanding of US$3,266.24 to such Iranian cedant. It is possible that the Iranian cedant could assert a claim in respect of the payment, in which case, we undertake that we will not use the proceeds raised from the Global Offering to settle such claim. However, given the de minimis outstanding amount, we believe that the failure to settle such payment does not have any material adverse effect on our business, results of operations, financial condition or prospects.

Under the International Emergency Economic Powers Act ("IEEPA"), a non-U.S. person, such as our Group, is prohibited from causing another individual or entity to violate sanctions. The Trading With the Enemy Act, which is the authority underlying the Cuban sanctions, may be interpreted similarly. Our Group could face civil and/or criminal penalties for its U.S. dollar transactions if it were deemed to have "caused" a U.S. financial institution, in connection with processing a U.S. dollar payment, to violate applicable U.S. sanctions. For violations of sanctions programs adopted under authority of IEEPA, the maximum civil penalty is US$250,000 or twice the amount of the transaction that is the basis of the violation, whichever is greater. For violations of the Cuban sanctions, the maximum civil penalty is US$65,000. The maximum criminal penalty in each case is a fine of up to US$1 million. In addition to monetary penalties, our Group could also face remedial requirements imposed by governmental authorities. In the transactions discussed above, where a U.S. dollar payment was blocked by a U.S. financial institution, taking into account the advice given by our legal advisers to the sanctions laws in the U.S., we believe that it is unlikely that we will be subject to sanctions penalties, as the payments in question were already blocked by the U.S. financial institutions in accordance with their obligations under U.S. law.

Sanctions Risks and Internal Control Policies

Taking into account the advice given by our legal advisers as to sanctions laws in the U.S., we believe that our risk of being sanctioned in connection with these sanctionable activities is limited because (i) the Group's current business with Iranian entities on the SDN List is very limited and diminishing, and (ii) the Group's transactions in U.S. dollars involving U.S. persons as to sanctioned countries are insubstantial. In addition, taking into account the advice given by our legal advisers as to sanctions laws in the U.S., the E.U. and Hong Kong and United Nations Security Council resolutions, we believe that the risk of sanctions being imposed against our investors, non-controlling Shareholders, persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Group's Shares, including Hong Kong Stock Exchange, HKSCC and HKSCC Nominees (the "Relevant Persons"), is limited. As discussed under "—Risk Management — Management of Principal Risks Exposure — Management of Operational Risk — Sanctions Risk Management" and "Risk Factors — Risks Relating to Our Business — If we are deemed to be in violation of applicable laws and regulations relating to sanctions, our reputation, business, results of operations and financial condition could be adversely affected," we have recently adopted group-wide sanctions policies to identify, monitor and mitigate risks relating to sanction laws so as to protect the interests of our Shareholders, potential investors and the Relevant Persons. We have designed these policies having regard to the policies adopted by our international peers and our peers in the PRC, our historical exposures to Sanctions Targets and terms of our insurance policies, among others. The Company, after consultation with its third party professional internal control consultant, considers that these policies have been (subject to their full and proper implementation) reasonably designed and adopted for the purpose of protecting the Group, its shareholders, investors and the Relevant Persons from the risk of being sanctioned under the relevant sanction laws and regulations in the U.S., E.U. and the United Nations. For details of our sanctions policies, please refer to "—Risk Management—Management of Principal Risks Exposure—Management of Operational Risk—Sanctions Risk Management."

All of our existing business activities described above as within the scope of sanctionable activities have been terminated or will expire before the Listing, and we do not intend to conduct similar activities in the future. Due to the nature of the risks we underwrite as well as the specific requirements and evolving nature of sanctions laws and regulations, evaluation of our exposure to sanctions as a reinsurer, insurer and insurance broker with cross-border activities can be complex and it may not always be possible to identify potential exposures at the initiation of a business relationship or prior to engaging in sanctionable activities. We will continue to evaluate our exposures to business involving countries, persons or entities that may be subject to sanctions or give rise to the risk of sanctions for our Group, and we intend to terminate or otherwise mitigate, within the scope of applicable laws, any relationships that we identify as resulting in, or having the potential to result in, sanctionable activities for our Group.

Our Directors' Views

Save as disclosed above, our Directors confirm that we are not aware of any transaction entered into by us during the Track Record Period and until the Latest Practicable Date with any client that is a Sanctions Target. Our Directors further confirm that as at the Latest Practicable Date, we were not subject to sanctions, nor have we been notified that any sanctions will be imposed on us.

Taking into account the advice given by our legal advisers as to U.S. sanctions law, our Directors believe that: (i) our potential sanctions risk under U.S. sanctions law is limited because our business with regard to Iranian entities or Iran-related risks constitutes a very small percentage of our total income; (ii) because our business activities involving Iran are very limited and diminishing, the risk arising from such activities for our investors and Shareholders is also limited; and (iii) our business in other Sanctioned Countries, such as Cuba, generally does not expose us to sanctions risk under U.S. law, because those sanctions apply to U.S. persons and transactions otherwise subject to the jurisdiction of the United States, and the risk for our U.S. investors and Shareholders is limited given that we are not a U.S. person, the very limited nature of our activities in such sanctioned countries, and the fact that our investors and Shareholders are not involved in any of our activities related to those countries.

Taking into account the advice given by our legal advisers as to United Nations Security Council resolutions, our Directors believe that we are not exposed to legal risk in connection with actual or potential violations of any United Nations Security Council resolution calling for sanctions or embargos to be imposed, except to the extent that such conduct is also prohibited or restricted by applicable U.S., E.U. or Hong Kong sanctions laws because United Nations Security Council resolutions do not have the force of directly binding law at a national level (unless the national legal system of a jurisdiction in which our Group's members operate purports to give binding legal effect to such measures without further legislative action, and we are not aware of any jurisdiction in which our Group's members operate having done so).

Taking into account the advice given by our legal advisers as to E.U. sanctions law, our Directors believe that our business activities have insufficient connections with the E.U. to present any meaningful risk of our Group having violated, or currently violating, E.U. sanctions law because of the following reasons: (i) our current business activities do not have any direct connection to the E.U., other than via the activities of our two UK subsidiaries, namely, China Re UK and China Re Underwriting, neither of which has, to our knowledge, provided insurance or reinsurance cover to a Sanctions Target or been involved in the business activities of our non-E.U. subsidiaries to trigger exposure to E.U. sanctions law risk; (ii) we do not have any other physical presence within the E.U. and are not aware of any insurance or reinsurance underwritten by us for E.U.-based clients having involved a person subject to E.U. sanctions; (iii) there are no E.U. nationals occupying senior management positions for our Company or our non-E.U. subsidiaries; and (iv) none of China Re Syndicate 2088's activities is known to us to have related to business involving persons in embargoed countries or otherwise subject to E.U. sanctions law.

Taking into account the advice given by our legal advisers as to Hong Kong sanctions law, our Directors believe that there is no nexus between our Group's operations and the Hong Kong sanctions regime as neither our Hong Kong office nor China Re AMC HK, which was only incorporated on 22 January 2015, has carried out business activities with Sanctions Targets.

Our Undertakings and Internal Control Procedures

We undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctions Targets. In addition, we have no present intention to undertake any future business that would cause us, the Hong Kong Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the United States, the European Union, the United Nations or Hong Kong. If we believe that the transactions our Group entered into in the Sanctioned Countries would expose our Group or our Shareholders and investors to risks of being sanctioned, we will publish such announcements as are appropriate and in accordance with the Listing Rules and the SFO. We will also disclose in our annual reports and interim reports our efforts on monitoring our business exposure to sanctions risk, the status of our future businesses, if any, in the Sanctioned Countries and our business intentions relating to the Sanctioned Countries. If we breach these undertakings to the Hong Kong Stock Exchange, the Hong Kong Stock Exchange may delist our H Shares.

We have developed and implemented policies, procedures, systems and internal controls that are designed to help mitigate sanctions risks. For details, please refer to "— Risk Management — Management of Principal Risks Exposure — Management of Operational Risk — Sanctions Risk Management."

LEGAL AND REGULATORY PROCEEDINGS

General

We are involved in legal and/or regulatory proceedings or disputes in the ordinary course of our business. As at the Latest Practicable Date, we were not aware of any legal and/or regulatory proceedings or disputes which, in the opinion of our Directors, would have a material adverse effect on our business, financial position, results of operations or prospects.

The CIRC and other PRC government authorities, including SAT, NAO, SAIC, PBOC, the Ministry of Human Resources and Social Security of the PRC and their affiliated institutions, from time to time make inquiries and conduct on-site or off-site examinations or investigations concerning our compliance with PRC laws and regulations, including inquiries, examinations or investigations in respect of our financial position and business operations, solvency margin, tax payment and labour and social welfare.

Under the Administrative Regulations for Insurance Companies (保險公司管理規定), the CIRC conducts both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the CIRC or its local bureaux of an insurance institution may focus on the company's management, reserves, solvency margin, deployment of funds, financial position, transactions with insurance intermediaries, appointment of senior management and other matters which the CIRC considers to be material.

As at the Latest Practicable Date, we were not aware of any inspections or audits conducted by any PRC regulatory authorities which would have a material adverse effect on our business, financial position, results of operations or prospects.

Administrative Proceedings and Penalties

During the Track Record Period and up to the Latest Practicable Date, we were subject to 84 non-tax administrative penalties and 27 tax penalties with fines totalling approximately RMB18.8 million and RMB123,600, respectively. Such penalties were imposed by relevant PRC authorities for non-compliances with relevant PRC regulatory or tax requirements. With respect to non-tax administrative penalties which involve fines, 51 involved fines of at least RMB100,000 and 31 of these penalties involved fines of less than RMB100,000. All tax administrative penalties were under RMB100,000. Part of such fines have been paid in full. Reserves have been made in respect of the remainder of such fines. Our Directors confirm that none of them or any senior management of the Company was involved in any non-compliance event giving rise to such administrative penalties.

Our PRC legal adviser, King & Wood Mallesons, has advised us that the aggregate administrative penalties imposed on us and taxes that need to be repaid do not have a material adverse effect on our business, financial position or results of operation. Our Directors confirm the same and are of the view that the non-compliance events giving rise to such administrative penalties are immaterial. Please see further details set out in the table below.

Type of non-compliance	Brief explanation of incident and penalties imposed
Breach of PRC Anti-monopoly Laws	Please see the section headed "Non-Compliance with PRC Anti-Monopoly Law" below.
Operational non-compliance in the underwriting and claims process	The CIRC and its local bureaux imposed 72 administrative penalties with fines totalling approximately RMB8.7 million. These primarily involved three types of non-compliance. Under the PRC Insurance Law, (i) insurance commissions may only be paid to qualified insurance agencies and agents; (ii) insurance companies may not delegate insurance sales and distribution activities to unqualified institutions or pay unqualified institutions any insurance commissions or benefits and (iii) insurance companies may not offer terms for an insurance product that are more attractive than those which have been pre-approved by the CIRC for that particular product. Branches and sub-branches of China Continent Insurance were penalised for (1) overstating sales expenses and transaction fees for payment of insurance commissions to unqualified agents, (2) distributing insurance products through entities and individuals who are not qualified insurance agents and (3) offering benefits and more preferential terms for certain of its insurance products which have not been pre-approved by the CIRC. Further, one of those penalties involved a sub-branch being suspended from new railway cargo insurance business for a one-year period which expired in January 2014. In this particular incident, the Qiqihar sub-branch of China Continent Insurance failed to properly record in its system its insurance contracts and premiums received. This resulted in the premiums receipt of Qiqihar sub-branch being understated and its financial statements and records of its insurance contracts being inaccurate. The premiums that were received but not recorded were used to make unapproved payments, which in turn resulted in inaccurate records of sales and marketing expenses.

Type of non-compliance	Brief explanation of incident and penalties imposed
Incomplete anti-money laundering procedures	Local branches of the PBOC imposed fines on two occasions, totalling approximately RMB70,000, for our failure to fully comply with anti-money laundering procedures such as identity registration, maintaining records of customer identity and dealing records and reporting suspicious dealings.
Tax non-compliance	The administrative penalties primarily resulted from underpayment of enterprise income tax, failure to withhold vehicle and vessel tax in full and failure to withhold individual income tax.

Other than the above, there were four other penalties with fines totalling approximately RMB43,000 for immaterial administrative non-compliances.

Non-Compliance with PRC Anti-Monopoly Law

Three branches and three sub-branches of China Continent Insurance were involved in monopolistic behaviours such as fixing insurance premiums and agency commissions, along with other market participants which resulted in administrative penalties imposed on those six branches and sub-branches by the local SAIC and/or the NDRC and its subordinate authorities involving total fines of approximately RMB10.0 million, all of which we have paid in full.

Specifically, in 2013, under the coordination of the Insurance Association of Zhejiang Province, P&C insurance companies in the Zhejiang Province, including the Zhejiang branch of China Continent Insurance, violated the PRC Anti-Monopoly Law by concluding and implementing horizontal price monopoly agreements, the Zhejiang Motor Insurance Self-Disciplinary Convention and its related Implementation Rules and supplemental agreement (the “Monopoly Agreements”). The Monopoly Agreements sought to fix or modify the premium rates and commission rates for commercial motor insurance.

The NDRC issued the Decision of the National Development and Reform Commission on the Administrative Penalties (國家發展和改革委員會行政處罰決定書) (the “Penalty Decisions”) on 30 December 2013, which ruled that the Monopoly Agreements breached the relevant requirements of the PRC Anti-Monopoly Law and imposed penalties on the P&C insurance companies which participated in the Monopoly Agreements.

The Zhejiang branch of China Continent Insurance ceased implementing the Monopoly Agreements but was fined RMB9.55 million, representing 1% of its RMB955 million sales volume of commercial motor insurance in 2012. However, as it did not plan, coordinate or promote the Monopoly Agreements, the NDRC noted that the Zhejiang branch had a lesser role in the unlawful activities.

Our PRC legal adviser, King & Wood Mallesons, is of the view that since the fine relating to the Zhejiang branch was substantially less than RMB100 million, under the Rules for Investigation and Review of Price-related Violations concerning Administrative Penalties (價格行政處罰案件審理審查規則) published by the NDRC on 30 September 2013, the above incident does not involve material non-compliances of laws or regulations which would result in heavy administrative penalties and thus, the incident will not have a material adverse effect on our business, financial position and results of operation. Our Directors confirm the same and are of the view that the above non-compliance is immaterial.

Remedial Measures

In response to the above non-compliance events and administrative penalties, we have required our subsidiaries and branches to implement remedial measures, including:

- imposing appropriate disciplinary punishments on the branches and employees involved, including demerits, demotion and in some cases, dismissal;
- enhancing compliance education of our subsidiaries, branches and employees, with a view to raising their awareness of compliance matters;
- enhancing the monitoring of the compliance by relevant subsidiaries, branches and employees with relevant rules;
- requiring each subsidiary and branch to detect deficiencies in their own operations and to report regularly the progress of any remedies needed;
- improving our internal control system and operating and management processes through remedial measures; and
- carrying out regular risk inspections with a view to identifying potential risk areas.

We have taken measures to remedy the issues relating to monopolistic behaviours exposed by the Zhejiang branch's breach of PRC Anti-Monopoly Law, including mainly the following:

- using the Zhejiang branch's breach of PRC Monopoly Law as a case study to train all personnel at China Continent Insurance and requiring all personnel at China Continent Insurance to place great importance on anti-monopoly laws and regulations and relevant supervisory provisions;
- requiring all personnel at China Continent Insurance to work with local industry associations in regulating self-discipline and other similar monopolistic behaviour in the industry;

- inspecting all branches and sub-branches of China Continent Insurance to identify any other industry self-disciplinary conventions which have been entered into or are proposed to be entered into and other similar types of monopolistic behaviour;

- withdrawing from all local industry self-disciplinary conventions which involve or may involve monopolistic conduct such as fixing or changing prices;

- as a key initiative in the annual compliance work plan, continuing to regulate and restrict self-disciplinary conventions, prohibit the participation in any industry self-disciplinary conventions involving monopolistic behaviour with a view to putting an end to all such behaviour.

We believe that such measures will allow us to comply with applicable laws and regulations more effectively in the course of our businesses and to prevent similar occurrences.

Criminal Litigations

During the Track Record Period, certain sub-branches of our subsidiary, China Continent Insurance, were involved in two incidents involving the payment of commissions to their institutional customers. Commissions paid by an insurance business to its customers are prohibited under PRC law. The payment of such commissions may constitute the offence of offering bribes to an entity under PRC law even where no individual obtained personal gain through illegitimate means.

In one of these two cases, two sub-branches were convicted of offering bribes to an entity. In the other case, a sub-branch has been prosecuted for offering bribes to an entity and as at the Latest Practicable Date, that sub-branch has been convicted of offering bribes to an entity. Neither case involved any individual's abusing his authority for obtaining personal gains through illegitimate means.

Baicheng/Daan Case

Having been informed by a whistle-blower in September 2012, China Continent Insurance discovered (1) that an institutional customer (the "Relevant Daan Customer") indicated to the Daan sub-branch that another insurance company paid commissions to the Relevant Daan Customer in return for insurance business and requested that the Daan sub-branch pay commissions to the Relevant Daan Customer and (2) that from 2008 to 2012, the then deputy general manager of the Baicheng central sub-branch and the then general manager of the Daan sub-branch (which reports to the Baicheng central sub-branch) (the "Offending Employees") paid commissions in the amounts of approximately RMB1.26 million to the Relevant Daan Customer in response to such request in return for health insurance businesses. China Continent Insurance estimates that the total premiums attributable to the health insurance businesses from the Relevant Daan Customer during the same period amounted to approximately RMB10.6 million. The related insurance contracts have already expired. As at the Latest Practicable Date, there were no unexpired insurance contracts between China Continent Insurance and the Relevant Daan Customer.

Following further investigation by China Continent Insurance through its inspection system, it was discovered that the Daan sub-branch has received and retained part of the premiums in an unauthorised account, such monies were not accounted for and were used to pay commissions to the Relevant Daan Customer and such payments were recorded as sales expenses. This matter was transferred for decision by judicial authorities in May 2013.

Under PRC law, commissions to insurance intermediaries are allowed but commissions to insurance customers are prohibited. The same are also prohibited under China Continent Insurance's internal rules. While the commissions were paid by the Offending Employees to the Relevant Daan Customer in breach of China Continent Insurance's internal rules, such act resulted in insurance businesses for and benefits to China Continent Insurance. Accordingly, under PRC law, the Daan People's Procuratorate prosecuted both the Daan sub-branch and the Baicheng central sub-branch, as well as the Offending Employees, in November 2013 for offering bribes to an entity. In December 2013, the Daan People's Court:

- held that the Daan sub-branch offered bribes in the amount of approximately RMB760,000 from 2008 to 2010. The Daan sub-branch and the Baicheng central sub-branch together offered bribes in the amount of approximately RMB490,000 in 2011 and 2012;

- convicted the Offending Employees of offering bribes to an entity (though no criminal penalties were imposed on them);

- convicted the Baicheng central sub-branch and the Daan sub-branch for offering bribes to an entity and fined them RMB40,000 and RMB80,000, respectively.

The above judgement was upheld in the final judgement of the Intermediate People's Court of Baicheng City, Jilin Province, in May 2014 following appeal by the Daan People's Procuratorate.

The Offending Employees were dismissed. Other employees who were indirectly involved were demoted or received formal warnings or demerits.

Ningcheng Case

It is alleged that from 2009 to 2011, the then general manager of the Ningcheng sub-branch paid commissions in the amount of approximately RMB570,000 to an institutional customer in return for accident injury insurance businesses. Such payments were recorded as sales expenses. China Continent Insurance estimates that the total premiums attributable to such accident insurance businesses amounted to approximately RMB2.86 million. The related insurance contracts have already expired. As at the Latest Practicable Date, there were no unexpired insurance contracts between China Continent Insurance and that institutional customer.

The above incident was discovered in April 2013 when an official of the relevant institutional customer was investigated for other unrelated matters, after which China Continent Insurance conducted an in-depth investigation through its inspection system. After having ascertained the facts of the relevant circumstances, China Continent Insurance reported the incident to the relevant local bureau of the CIRC.

The Ningcheng People's Procuratorate prosecuted the Ningcheng sub-branch and its then general manager in October 2013 for offering bribes to an entity. In September 2015, the Ningcheng People's Court determined that the Ningcheng sub-branch offered bribes in the amount of approximately RMB570,000 from 2009 to 2012, and:

- convicted the Ningcheng sub-branch of offering bribes to an entity and fined it RMB50,000;
- convicted the then general manager of offering bribes to an entity (though no criminal penalties was imposed on him).

The then general manager of the Ningcheng sub-branch was given a serious demerit and removed from his position as general manager. He continues to be an employee of a sub-branch of China Continent Insurance to facilitate its investigations.

Remedial Measures

Notwithstanding that China Continent Insurance has already adopted measures to monitor and control such improper behaviour and established a sales expenses management system, anti-bribery initiative has been reinforced as a key compliance initiative of China Continent Insurance, which has adopted the following additional measures:

- The above Baicheng/Daan and Ningcheng cases have been used as case studies to remind all branches and sub-branches and their employees of the importance of monitoring their operations on a regular basis, truthfully recording all operational and business information, including expenses and intermediary businesses, so as to ensure compliance with anti-bribery laws and regulations and the CIRC requirements and prevent similar occurrences.
- China Continent Insurance continues to strengthen its internal control systems and procedures, including through automated reporting of expenses (to prevent unapproved expenses) and procedures for reporting and audit of expenses. Its internal rules as to the management of sales expenses are further improved and strengthened. Accurate recording and transparent management of sales expenses and the related requirements as to management, audit and accountability are reinforced. Its reporting structure and supervisory responsibility are further clarified, with senior management continuing to lead the supervision and monitoring of compliance and internal control and with specific working groups in charge of specific aspects such as accuracy of operational data and management of expenses.

- A special internal audit by China Continent Insurance of sales expenses is in progress at the sub-branch level. It is expected to be completed in the second half of 2015.

- China Continent Insurance has issued an audit guidelines for senior staff with specific audit requirements addressing relevant risk areas and provided training to senior level staff at the sub-branch level. Such measures were aimed at allowing senior level staff to discover any signs of improper behaviour in a more effective and timely manner.

- Compliance management, any non-compliance with laws or regulations and any remedies of any non-compliance are factors taken into account in employees' performance appraisals. The compliance and internal control of a sub-branch are linked to the bonuses of all employees of that sub-branch. Any material non-compliance will result in all the employees of the relevant sub-branch not being paid any bonuses.

We believe the above measures will assist us in further enhancing our compliance and internal control systems and procedures and in preventing similar non-compliance incidents.

Our PRC legal adviser King & Wood Mallesons is of the view that the Baicheng/Daan and Ningcheng cases do not and will not have a material adverse effect on our business, financial position and results of operation. Our Directors confirm the same and are of the view that such criminal litigation proceedings are immaterial.

Our Directors further confirm that none of them or any senior management of the Company was involved in the Baicheng/Daan and Ningcheng cases.

Outstanding Litigation and Arbitration

As at the Latest Practicable Date, we were involved in four outstanding legal proceedings where the disputed amount was more than RMB10 million in each case (and were not involved in any arbitral proceedings where the disputed amount was more than RMB10 million in each case). In those proceedings:

- we were not the plaintiff or claimant; and

- we were the defendant and the total amount claimed by the plaintiffs in these legal proceedings was approximately RMB87.18 million in aggregate, representing 0.04% and 0.15% of our total assets and equity attributable to shareholders, respectively, as at 30 June 2015. The four proceedings related to disputes over insurance contracts that arose in the course of our subsidiaries' insurance business. As at the Latest Practicable Date, three of them were at first instance trial and one of them had been judged in first instance (in relation to which we have filed appeal). Since the above proceedings are general financial disputes arising in the ordinary course of business of our Group and the amount claimed in the above proceedings represents a very small proportion of our net assets, our PRC legal adviser King & Wood Mallesons is of the view that the above proceedings will not have a material adverse effect on the operation of the Company or the Global Offering.

In order to enhance our control of litigation risks, we continue to improve our compliance and legal procedures, ensure that all material contracts are reviewed by our legal department and emphasise legal training for our employees to raise their legal awareness. We engage external legal advisers to review and provide legal advice on our contracts where necessary with a view to reducing our litigation and arbitration risks. Our Directors believe that if the above legal and arbitral proceedings were determined adversely, they would not, individually or collectively, have a material adverse effect on our business, financial position or results of operation.

Internal Control Testing

In connection with the Global Offering, we have conducted an internal control testing on the Company, China Re P&C, China Re Life, China Re AMC, China Continent Insurance and Huatai Insurance Agency with the assistance of a third party internal control professional institution. The scope of the internal control review was as follows:

Entity Level Controls

The five elements in accordance with the COSO framework (Committee of Sponsoring Organisations of the Treadway Commission, "COSO"), namely, Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring, were tested and reviewed.

Process Level Controls

The following processes were selected for testing and review by members of our Group subject to internal control review:

The Company	China Re P&C	China Re Life	China Continent Insurance	China Re AMC	Huatai Insurance Agency
• Investment • Nuclear insurance pool • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • Insurance • General control over information system	• Reinsurance underwriting • Actuary • Claims settlement • Retrocession • Bills processing and settlement • Reinsurance management • Investment • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • Insurance	• Reinsurance underwriting • Actuary • Claims settlement • Retrocession • Bills processing and settlement • Reinsurance management • Investment • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • Insurance	• Underwriting and acquisition of policies • Change in policies • Actuary • Claims settlement • Reinsurance management • Investment • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • General control over information system	• Investment decisions and asset allocation • Investing activities • Product issuance • Third-party entrustment • Transaction behaviour • Clearing operation • Research on fixed revenue and credit rating • Review management • Risk management • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • Insurance • General control over information system	• Brokerage • Loss adjustment • Maritime Business • Human resources • Preparation of financial report • Capital management • Fixed asset management • Taxation management • Insurance • General control over information system

Within the foregoing scope agreed with the relevant members of our Group subject to the internal control testing, the third party internal control professional institution performed the testing covering the period from 1 January 2014 to 30 June 2015 and noted no material exceptions.

EMPLOYEES

As at 30 June 2015, we had 23,020 employees, among whom 23,014 worked in the PRC and six worked in Hong Kong, the UK and the US.

The following table sets forth the number of our employees by function as at 30 June 2015:

Function	Number of employees	% of total employees
Management personnel	3,079	13.4%
Professional staff[1]	9,502	41.3%
Sales personnel	9,486	41.2%
Others	953	4.1%
Total	23,020	100.0%

Note:

(1) Professional staff primarily includes our actuarial, underwriting, claims settlement, finance, investment, legal, risk management and information technology staff.

The following table sets forth the number of our employees by age as at 30 June 2015:

Age	Number of employees	% of total employees
Under 31	8,837	38.4%
31 to 40	8,009	34.8%
41 to 50	4,919	21.4%
Over 50	1,255	5.4%
Total	23,020	100.0%

The following table sets forth the number of our employees by education level as at 30 June 2015:

Education	Number of employees	% of total employees
Bachelor's degree or above	9,582	41.6%
Junior college degree	9,554	41.5%
Below junior college degree	3,884	16.9%
Total	23,020	100.0%

The following table sets forth the total number of our employees by entity as at 30 June 2015:

Entity	Number of employees	% of total employees
Group Company	219	1.0%
China Re P&C	159	0.7%
China Re Life	127	0.5%
China Continent Insurance	21,979	95.5%
China Re AMC	141	0.6%
Huatai Insurance Agency	393	1.7%
China Re Underwriting	2	0.0%
Total	23,020	100.0%

Our growth depends on the capabilities and dedication of our employees and we recognise the importance of human resources in improving our business and results of operations. We have devoted substantial attention and resources to recruiting and training our employees. We pay attention to the career development of our employees and implement training and cultivation programmes for our employees to assist them in enhancing their personal value. We have policies under which the employees must hold certain internal or external credentials in order to hold certain positions within our organisation. We have also implemented a continuous evaluation policy under which the employees are subject to comprehensive evaluation and the evaluation results will be linked to staffing, remuneration and career development as well as training. Furthermore, we have an incentive mechanism that links employee's remuneration to business performance.

We provide our employees with benefits such as basic pension, basic health, work-related injury, unemployment benefits, maternity insurance and housing provident funds in accordance with PRC laws and regulations. We also provide our employees with supplementary pension insurance (corporate annuity funds) and supplementary medical insurance (including group supplementary medical insurance and medical expenses reimbursement for our employees).

We have a labour union in accordance with PRC laws and regulations. We believe that we have maintained good working relationships with our employees. As at the Latest Practicable Date, we had not experienced any labour strikes or other labour disputes that had materially interfered with our operations.

As at 30 June 2015, in addition to employees with whom we have entered into employment contracts, we had also engaged 14,685 independent contract workers, mainly for ancillary work such as driving, back office services, general administration, billing statistics and agency services. According to the PRC Labour Contract Law, there is no labour contract relationship between the independent contract workers and us and the independent contract workers enter into labour contracts with the relevant third-party human resources agencies. Pursuant to our agreements with the third-party human resources agencies, we make salary payments, social security contributions and other related payments for the independent contract workers to the third-party human resources agencies. The third-party human resources agencies, in turn, make salary payments to the independent contract workers and make social security contributions and other related payments to relevant government entities for the independent contract workers.

PROPERTIES

Head Office

We are headquartered at China Reinsurance Building, 11 Financial Street, Xicheng District, Beijing, PRC.

Owned Properties

As at 30 June 2015, we owned, occupied and used 303 properties in the PRC with an aggregate gross floor area of approximately 198,400 square metres. Properties owned by us in the PRC are mainly used as offices and for business operations.

Owned Properties Occupied and Used by Us

Details of ownership of the properties owned, occupied and used by us in the PRC as at 30 June 2015 are as follows:

- We have obtained relevant property ownership certificates in respect of 206 properties with a total gross floor area of approximately 103,600 square metres, accounting for approximately 52.22% of the aggregate gross floor area of our owned properties. We have also obtained land use right certificates for the land on which such properties were erected through assignment.

- We have obtained the property ownership certificates in respect of 13 properties with a total gross floor area of approximately 54,100 square metres, accounting for approximately 27.27% of the aggregate gross floor area of our owned properties. The local governments have not commenced the approval and issuance of land use right certificates to the owners of such land use rights. We have not obtained the land use right certificates for the land occupied by such properties.

- We have obtained the property ownership certificates in respect of 32 properties with a total gross floor area of approximately 16,800 square metres, accounting for approximately 8.47% of the aggregate gross floor area of our owned properties. However since the condition precedent to sub-division of the land use rights in respect of the minimum portion of the properties sold has not been satisfied, the relevant governmental authorities have not commenced the approval and issuance of land use right certificates. The relevant developers have issued consent letters to us undertaking to apply promptly for approval and issuance of the land use right certificates from the relevant governmental authorities upon the satisfaction of the condition precedent to sub-division.

- We have obtained the property ownership certificates in respect of 32 properties with a gross floor area of approximately 5,000 square metres, accounting for approximately 2.52% of the aggregate gross floor area of our owned properties. Such properties have met the conditions for the application for land use right certificates and we are in the process of applying to the relevant governmental authorities for the issuance of land use right certificates.

Our PRC legal adviser, King & Wood Mallesons, has confirmed that among the 283 owned properties referred to above (with a total gross floor area of approximately 179,500 square metres, accounting for approximately 90.47% of the aggregate gross floor area of our owned properties):

- for those in respect of which the property ownership certificates and the state-owned land use right certificates have already been obtained, we are legally entitled to have ownership of such properties and the state-owned land use rights of the land occupied by such properties and to possess, use, transfer, lease, mortgage or otherwise dispose of such properties in accordance with law;

- for those in respect of which the property ownership certificates have been obtained but the state-owned land use right certificates have not been obtained, there are no material legal impediments to our possession and use of such properties. Except where the relevant authority has not commenced the approval and issuance of land use right certificates, we will need to obtain the state-owned land use right certificates of such properties in accordance with law before we can transfer, mortgage or otherwise dispose of such properties. If a third party owns the state-owned land use right of the land on which any such property is located, and the land occupied by such property is disposed of as part of any disposal by the land use right owner, we may lose ownership of such property, but we would be entitled to claim for proceeds of disposal of such property.

Owned Properties Not Yet Occupied or Used by Us

As at 30 June 2015, we have entered into property purchase agreements with third parties to acquire seven properties with a total gross floor area of approximately 11,300 square metres, accounting for approximately 5.70% of the aggregate gross floor area of our owned properties. The majority of the consideration for those properties has been paid. We are in the process of applying for the relevant property ownership certificates.

Other Owned Properties

As at 30 June 2015 we occupied 13 properties with a total gross floor area of approximately 7,600 square metres, accounting for approximately 3.83% of the aggregate gross floor area of our owned properties, in respect of which we have not obtained the property ownership certificates or the land use right certificates for the land occupied by such properties. In some cases, the application for the relevant property ownership certificates or land use right certificates requires the co-operation of third parties. In other cases, the developers have not obtained the relevant land use right certificates for the property developments. Most of those 13 properties are used for office purposes. We may not transfer, mortgage or otherwise dispose of such properties until we have obtained the relevant property ownership certificates and land use right certificates. The absence of the relevant title documents has not affected our business or financial position in any material respect. If a third party lawfully claims or obtains through litigation the ownership rights of such properties or the land use right to the land occupied by such properties resulting in our having to relocate, we will be able to find alternative business premises in the relevant areas at reasonable costs and within a reasonable period and that will not have any material adverse effect on our business or financial position or on the Global Offering.

Land Use Rights

As at 30 June 2015, we did not own any vacant land.

Leased Properties

As at 30 June 2015, we leased from independent third parties one unit with an aggregate gross floor area of approximately 753 square feet in Hong Kong, one unit with an aggregate gross floor area of approximately 850 square feet in the UK and one unit with an aggregate gross floor area of approximately 2,340 square feet in the United States.

As at 30 June 2015, we leased 2,049 properties with an aggregate gross floor area of approximately 530,500 square metres in the PRC from independent third parties. Properties leased by us in the PRC are primarily used as our offices and for our business operations.

As at 30 June 2015, the lessors of 1,383 of our leased properties in the PRC with an aggregate gross floor area of approximately 348,400 square metres had obtained the relevant property ownership certificates or the owners' consent to the lessors' leasing or sub-leasing such properties. Details of our 666 other leased properties in the PRC as at 30 June 2015 are as follows:

- The lessors of 447 of our leased properties with an aggregate gross floor area of approximately 117,200 square metres have not provided us with documentary evidence of their ownership of the relevant building ownership certificates or the owners' consent to the lessors' leasing or sub-leasing those properties, but have provided their written confirmation letters confirming their legal right to lease the properties and undertaking to indemnify the Company against losses arising from defects in the title to such leased properties.

- The lessors of 26 of our leased properties with an aggregate gross floor area of approximately 11,100 square metres have not provided us with documentary evidence of their ownership of the relevant building ownership certificates or the owners' consent to the lessors' leasing or sub-leasing the properties, but have provided their written confirmation letters confirming their legal right to lease the properties. However, they have not undertaken to indemnify the Company against losses arising from defects in the title to such leased properties.

- The lessors of 193 of our leased properties with an aggregate gross floor area of approximately 53,800 square metres have not provided us with documentary evidence of their ownership of the relevant building ownership certificates or the owners' consent to the lessors' leasing or sub-leasing the properties or the confirmation letters referred to above.

The majority of the above 666 leased properties with an aggregate gross floor area of approximately 182,100 square metres are used as our offices. We have been advised by our PRC legal adviser, King & Wood Mallesons, that according to the relevant laws and regulations, such as the Law of PRC on Administration of the Urban Real Estate (中華人民共和國城市房地產管理法), and judicial interpretations, if the lessor of any of such leased properties does not have the relevant property ownership certificate or the authorisation or consent from the owner, the lessor has no right to lease such property. In such case, if a third party objects to the lease, this may affect our ability to continue to lease such property. However we can make claims against the lessor under the tenancy agreement or the confirmation letter provided by the lessor. Insofar as we are aware, there has been no accident due to the safety condition of such leased properties and the failure to obtain the relevant property ownership certificates is not due to the safety condition of such leased properties.

In addition, we have completed lease registration procedures or the local governmental authorities have not implemented the relevant lease registration procedures in respect of 1,607 of our leased properties with an aggregate gross floor area of approximately 403,900 square metres. The lease registration procedures have not been completed in respect of our other leased properties. Our PRC legal adviser, King & Wood Mallesons, is of the view that according to the relevant judicial interpretations, failure to register a lease does not affect the validity of the lease contract, but may result in penalties imposed by relevant competent authorities (unless the relevant government authorities have not implemented the relevant lease registration procedures). Our PRC legal adviser, King & Wood Mallesons, is also of the view that according to the relevant laws and regulations, a breach of the lease registration requirement should be rectified within the prescribed time limit. Any individual who fails to rectify the breach within the prescribed time limit will be subject to a fine of less than RMB1,000; an entity which does not rectify the breach within the prescribed time limit will be subject to a fine of more than RMB1,000 but less than RMB10,000. During the period from 1 January 2012 to 30 June 2015, we were not subject to any administrative penalties for failure to register the leases of our leased properties.

As at 30 June 2015, the tenancy agreements for 124 of our leased properties with an aggregate gross floor area of approximately 28,900 square metres have expired and we are dealing with their renewal.

Our Directors are of the view that the defects in the right to lease our leased properties will not individually or collectively have any material adverse effect on our business for the following reasons:

Our PRC legal adviser, King & Wood Mallesons, has confirmed that:

- if the lessor does not have ownership of any such property or the lessor has not obtained the authorisation or consent from the property owner, the lessor would not be entitled to lease the property. Under such circumstances, if a third party objects to the lease, that may affect our ability to continue to lease such property, but we may demand compensation from the lessor under the lease contract or the confirmation letter from the lessor;

- if the lessor has entered into more than one lease agreements in respect of the same property and any other lessee objects to our lease, we, as the only occupant of the property, may, pursuant to the relevant judicial interpretation, be recognised as the legitimate lessee of such property;

- failure to complete the filing and registration procedures for a leased property will not affect the validity of the lease agreement, but there may be a possibility that a penalty may be imposed by the relevant authorities for absence of lease registration. During the period from 1 January 2012 to 30 June 2015, no administrative penalties were imposed by the relevant authorities on us due to any failure to file register leases;

- if a lease terminates due to any title defects or any failure to complete the lease filing procedure in respect of the leased property so that relocation of the relevant sub-branch is required, the relevant sub-branch will be able to find alternative business premises in the relevant area at reasonable costs within a reasonable period and such relocation will not have material adverse effect on our operations or financial condition and will not have any material adverse effect on the Global Offering; and

- we have not incurred any material losses and have not been subject to any material adverse change due to defects in the title to such properties as at 30 June 2015. In the event we are required to relocate due to a lease being unenforceable as a result of defects in the title to any leased properties or any invalidity of any lease agreements, we will be able to find alternative premises in the relevant areas and relocate in a timely manner at minimal cost and that would not have any material adverse effect on our business or financial position.

Guang'an Centre Property

We entered into a Purchase Agreement for an Office Block on Land Lot C of Financial Street Guang'an Centre (金融街廣安中心C地塊項目寫字樓訂購協議書) with independent third parties on 25 June 2014 to acquire part of Land Lot C of the Guang'an Centre project in Xicheng District, Beijing ("Guang'an Centre Property") for a consideration of RMB2,791,700,000, which is calculated on the basis that the property is a bare shell and the actual amount of which will be adjusted on the basis of the final gross floor area. Guang'an Centre Property is expected to be delivered in the first quarter of 2016. After refurbishment which is expected to be completed in the first quarter of 2017, we intend to use Guang'an Centre Property for leasing purposes. For further details of the Guang'an Centre Property, please see Appendix IV (Property Valuation Report).

Save for the Guang'an Centre Property, as at 30 June 2015, each property interest of our property activities had a carrying amount of less than 1% of our total assets and the aggregate carrying amount of all such interests did not exceed 10% of our total assets. Furthermore, none of the property interests of our non-property activities had a carrying amount which exceeded 15% of our total assets. Accordingly, our interests in properties other than the Guang'an Centre Property are exempted from compliance with the requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirement of paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include a valuation report with respect to all interests in land or buildings.

INSURANCE

We maintain insurance for our employees and insurance against any incidental loss or damage for our owned properties in accordance with applicable laws. Our directors believe we have maintained sufficient insurance coverage for our business and operations.

INFORMATION TECHNOLOGY

Overview

As one of the key drivers to our strategic reform and future growth, information technology provides technical support and operating assurance for the promotion of streamlined and differentiated management, the innovation of products and services, the multi-channel business development, and the expansion of overseas business. In our reinsurance business, information technology enables us to provide diversified reinsurance products and services for clients through a variety of information systems, covering underwriting, claims settlement, pricing, online service and customer support, which have enhanced our competitiveness in the reinsurance market. Information technology also provides us with strong support and assurance in our primary P&C insurance, asset management and insurance intermediary businesses.

We have a strategy of "overall planning, technology driving, platform centralising, resource sharing and standards unifying" with respect to the development of our information technology. We continuously enhance our information technology management systems, establish a centralised platform for reinsurance business (NCR system), and integrate our IT infrastructure, in order to optimise the allocation and sharing of resources. Our information systems have provided strong technical support in the daily operations and the implementation of our development strategies for our different business segments, and have laid a technical foundation for the sustainable development of our Group.

Professional Team

Our information technology management committee is responsible for overall planning of our information technology development, research on and decisions relating to our major information technology projects and budgets. The information technology management committee comprises the head in charge at our Group, the heads of departments including the information technology department, the human resource department, the financial management department, the strategy, development & reform department, the actuarial & risk management department, the heads in charge at subsidiaries and personnel in charge of the respective information technology departments of subsidiaries. We have also established a joint meeting system for the management requirements after the integration of information systems in our reinsurance business, which is headed by the heads in charge at our Company, China Re P&C and China Re Life, with the participation of the heads of key functional departments of our Company. This joint meeting system aims to coordinate and implement those important tasks such as the construction of information technology projects and the management of information technology.

As at 30 June 2015, we had a professional information technology team of around 120 persons. Their average working experience is around 10 years and the average working experience of the key members who hold managerial and above positions is around 18 years (among which the average working experience in the insurance industry is around 14 years). All the members of our information technology team hold a bachelor degree or above, and 2.4% of them hold a doctorate degree, and 44.7% of them hold a master degree.

Features

Key features of our information technology system are as the follows:

- **Core business systems that support the operations and management of each subsidiary.**

  — The NCR system that we are currently implementing uses SICS P&C and SICS Life products, which are in line with the international standards and currently used by more than 80 international reinsurance companies. We integrate the core systems of our insurance business into the NCR system, which lays a solid foundation for business analysis and risk management. For example, the NCR system has more dimensions of data collection in the process of treaty reinsurance, facultative reinsurance and bills checking, which helps fine-tune the management of our reinsurance business. The NCR system is able to conduct risks accumulation based on insurance objectives which effectively strengthens our risk control. In addition, the NCR system is able to deal with retrocession business automatically and can support various functions such as batch uploading (in ten millions) of insurance policy data, data verification and automated policy processing through retrocession modules, which are designed taking account of the large amount of insurance policies and data and other features of life reinsurance business. With the NCR system, we significantly improve the operating efficiency of our reinsurance business.

  — We have established comprehensive systems for our primary P&C insurance business in the functions of underwriting, claims, call centre, differentiated pricing of motor insurance, telesales and online sales. We have also preliminarily set up a set of relatively comprehensive mobile applications covering mobile sales, mobile surveying, customer self-service claim and WeChat customer service.

  — We have established an investment management system cluster centred on the Sophis system and created a variety of applications based on the enterprise data platform for our asset management business. We are the first company to integrate the front, middle and back desks of all investment business into one consolidated system to centralise business input, data output, compliance control, settlement and accounting.

  — We have also deployed insurance intermediary business systems covering insurance brokerage business, loss adjustment business, maritime business and overseas travelling insurance business.

- **Strong technical support for risk management.** We have designed and developed the reinsurance enterprise analysis & pricing system, as well as the underwriting engine system by ourselves, which provide a solid foundation for building our core competitiveness in the pricing and underwriting management of reinsurance business. After years of exploration and application in various risk analysis tools and models such as RMS, AIR, Decision Tools, Prophet, Igloo, Remetrica and the economic scenario simulator, we accumulated substantial experience in risk analysis and deployed sophisticated risk analytical tools in line with international standards. In addition, we have established applications such as reporting system by integrating Group-wide business data and financial data, which provide the important data foundation for Group's decision-making on risk management.

- **Unified Group-wide information technology platform.** In addition to the business systems, we have established and deployed the office-automation system and the backbone network accessible by our major subsidiaries, and are constructing the integrated data platform. We have preliminary achieved the goal of centralised planning, centralised development, centralised deployment and centralised operation and maintenance. The integration and sharing of information technology resources provides full support of information service for the business development of our Group and effectively improves our Group-wide synergy and operational efficiency. As for the support of our Group's functional departments, we have established centralised systems, such as the financial system, the accounting data transmission system, the solvency data transmission system, the human resource system, the audit system and the internal control system, through which our Group is able to exercise effective management and control over its subsidiaries. We have also set up a consolidated reporting platform based on our financial system, which plays an important role in supporting the management of consolidating reports of our Group.

INTELLECTUAL PROPERTY

We conduct business under the "China Re", "中再集團", "中國再保險(集團)股份有限公司" and certain other brand names and logos. As at the Latest Practicable Date, we had registered 70 trademarks in the PRC and 29 trademarks outside the PRC. As at the Latest Practicable Date, we had registered 1 copyright in the PRC. As at the Latest Practicable Date, we were also the registered owner of 142 domain names, internet keywords and wireless websites. Details of our material intellectual property rights are set out in the paragraph headed "Intellectual Property Rights" in Appendix VIII "Statutory and General Information" to this prospectus.

As at the Latest Practicable Date, we were not aware of any material claims or litigation initiated by or against us for intellectual property right infringement.

Upon the Listing, certain transactions of ours will constitute connected transactions for us under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our subsidiary, China Continent Insurance, sells P&C insurance products in the ordinary and usual course of its business to the public. Clients who have purchased relevant P&C insurance products include our connected persons. Our connected persons do not receive any preferential treatment for purchasing such insurance products. The premiums paid by our connected persons are comparable to those paid by independent third parties for the same insurance products or to prevailing market prices and the premium rates of these products are either approved by or filed with the CIRC. It is likely that our connected persons will continue to purchase from us such insurance products following completion of the Global Offering, which will constitute continuing connected transactions for us under the Listing Rules.

Our sale of P&C insurance products to our connected persons is in the ordinary and usual course of our business, on normal commercial terms and on no more favourable terms to our connected persons (or no less favourable terms to us) than those offered to independent third parties and constitutes a type of consumer service that is ordinarily supplied for private use or consumption that we sell to our connected persons. Our sales of P&C insurance products to our connected persons are therefore exempt continuing connected transactions under Rule 14A.97 of the Listing Rules and are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS

The following table sets out certain information regarding the Directors of the Company:

Name	Age	Date of joining the Group	Current position	Date of appointment	Responsibilities	Relationship with other Directors, Supervisors and senior management
Li Peiyu (李培育)	52	August 2010	Executive Director and Chairman	10 September 2010	Overall management of the Company	None
Wang Pingsheng (王平生)	58	February 2008	Executive Director and Vice Chairman	23 August 2012	Responsible for overseeing the management of the general office and general administrative department	None
Zhang Hong (張泓)	51	January 1996	Executive Director	23 August 2012	Responsible for overseeing the management of the planning & business administrative department, international department, as well as liaising with China Re UK and China Re Underwriting	None
Ren Xiaobing (任小兵)	48	June 2007	Executive Director	23 August 2012	Responsible for overseeing the management of the actuarial & risk management department, internal control, compliance & legal affairs department, and information technology department	None
Lu Xiuli (路秀麗)	51	December 2014	Non-executive Director	29 December 2014	Overseeing the overall strategic planning of the Company	None
Shen Shuhai (申書海)	56	December 2014	Non-executive Director	29 December 2014	Overseeing the overall strategic planning of the Company	None
Wang Jun (王珺)	43	June 2011	Independent Non-executive Director	24 June 2011	Overseeing and providing independent judgment to the Board of Directors	None
Hao Yansu (郝演蘇)	57	December 2014	Independent Non-executive Director	29 December 2014	Overseeing and providing independent judgment to the Board of Directors	None

Name	Age	Date of joining the Group	Current position	Date of appointment	Responsibilities	Relationship with other Directors, Supervisors and senior management
Li Sanxi (李三喜)	51	December 2014	Independent Non-executive Director	29 December 2014	Overseeing and providing independent judgment to the Board of Directors	None
Mok Kam Sheung (莫錦嫦)	55	August 2015	Independent Non-executive Director	6 August 2015	Overseeing and providing independent judgment to the Board of Directors	None

Executive Directors

Mr. Li Peiyu (李培育), aged 52, is an executive Director and the chairman of the Company. Mr. Li is responsible for the overall management of the Company. From July 1987 to August 2000, he served as assistant researcher, then as associate researcher and as researcher and then as director of research office of the development research department, as deputy director and as director of intelligence, at Development Research Centre of the State Council. He acted as member of the Party Committee and deputy director, and subsequently deputy secretary of the Party Committee and deputy director of Henan Province Development and Planning Commission from August 2000 to February 2003. He was deputy secretary of municipal party committee and mayor of Hebi city, Henan province and a member of the eighth CPC Henan Province Committee from February 2003 to December 2007. He was chief officer of the alternative asset investment department of China Investment Corporation from December 2007 to November 2008. He was seconded to Research Office of the State Council from November 2008 to August 2009. He served as inspector of the general department of Research Office of the State Council from August 2009 to August 2010. Mr. Li joined the Company in August 2010, and has been the chairman and executive Director of the Company since September 2010. Mr. Li did not hold any directorship in any other listed companies during the past three years. Mr. Li graduated from the Department of Electrical Engineering of Tsinghua University in China with a bachelor's degree in electric power system and automation in July 1984, graduated from the same university with a master's degree in management engineering from School of Economics and Management in June 1987, graduated from John F. Kennedy School of Government at Harvard University in the US with a master's degree in public policy and administration (MPA) in June 1998, and graduated from the School of Economics and Management of Tsinghua University in China with a doctoral degree in management science and engineering in January 2004.

Mr. Wang Pingsheng (王平生), aged 58, is an executive Director and the vice chairman of the Company. He is a senior economist. Mr. Wang is responsible for overseeing the management of the general office, general administrative department of the Company and also serves as the director of the labour union committee of the Company. From September 1986 to August 1996, he worked at Shenyang Branch and Shenyang Tiexi Sub-branch of People's Insurance Company of China. From August 1996 to August 1997, he served as deputy general manager of the Shenyang Branch of Zhongbao Property Insurance Company Limited (中保財產保險有限公司). From August 1997 to

September 1998, he served as president of Shenyang Urban Cooperative Bank. From September 1998 to August 2000, he served as chairman of the board of directors and president of Shenyang Commercial Bank. From August 2000 to February 2008, he served as deputy director (in charge of daily operations), director and head of the Jinan Office of the CIRC (which was later restructured as Shandong Supervision Bureau of the CIRC) successively. Mr. Wang joined the Company in February 2008. From May 2008 to August 2012, he served as vice president of the Company. From August 2009 to May 2015, he was the compliance controller of the Company. Since August 2012, he has been vice Chairman, executive Director and director of the labour union committee of the Company. From February 2009 to April 2013, Mr. Wang served as director of Huatai Insurance Agency. From September 2010 to March 2014, Mr. Wang served as chairman of the supervisory committee of China Continent Insurance. Since November 2012, Mr. Wang has been chairman of the board of directors of China Life Reinsurance Corporation (which was later restructured as China Re Life) and from November 2012 to October 2014, he served as shareholder representative supervisor of China Everbright Bank (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 6818; and listed on the Shanghai Stock Exchange, stock code: 601818). Mr. Wang did not hold any directorship in any other listed companies during the past three years. Mr. Wang obtained a bachelor's degree in industrial automation from the Automatic Control Department of Northeastern Engineering School (currently known as Northeastern University) in China in January 1982 and obtained a master's degree in international finance from Liaoning University in China in June 1999. Mr. Wang was accredited by People's Insurance Company (Group) of China as a senior economist in August 1997.

Mr. Zhang Hong (張泓), aged 51, is an executive Director and the president of the Company. He is an economist. Mr. Zhang is responsible for overseeing the management of the planning & business administrative department, the international department, as well as liaising with China Re UK and China Re Underwriting. From September 1987 to May 1991, he was a cadre of the inward reinsurance division of the reinsurance department of People's Insurance Company of China. From May 1991 to May 1995, he served as a cadre of China Insurance (UK) Co., Ltd. From May 1995 to January 1996, he served as a cadre of the inward reinsurance division of the reinsurance department of People's Insurance Company of China. Mr. Zhang joined the Company in January 1996 and he served as deputy divisional director of the overseas business division of the inward reinsurance business department, deputy divisional director of the general division of the general office, divisional director of the general office secretariat division, deputy general manager and general manager of the P&C insurance department, general manager of the Shenzhen Branch, general manager of the operations department, assistant to general manager, deputy general manager and vice president of the Company successively. From January 2006 to June 2009, Mr. Zhang also served as chairman of the board of directors of China Life Reinsurance Corporation (which was later restructured as China Re Life). From December 2009 to November 2012, he also served as director of China Re AMC. From September 2009 to December 2009, he also served as general manager of China Property & Casualty Reinsurance Corporation. From November 2009 to April 2012, he also served as director of China Continent Insurance. Since August 2012, Mr. Zhang has been an executive Director and president of the Company. Since December 2003, he has also been chairman of the board of directors of China Property and Casualty Reinsurance Corporation (which was later restructured as China Re P&C). Mr. Zhang did not hold any directorship in any other listed companies during the past three years. Mr. Zhang graduated from University of International Relations in China with a bachelor of arts in English in July 1987. Mr. Zhang was accredited by People's Insurance Company of China as an economist in August 1993.

Mr. Ren Xiaobing (任小兵), aged 48, is an executive Director, vice president and compliance controller of the Company. Mr. Ren is responsible for overseeing the management of the actuarial & risk management department, the internal control, compliance & legal affairs department, and the information technology department of the Company. From October 1989 to November 1998, he served as a staff member, deputy principal staff member and principal staff member of the financial administration department, the non-banking department and the insurance department of the People's Bank of China successively. From November 1998 to April 2001, he worked at the CIRC. Meanwhile, between November 1999 and April 2001, he served as deputy divisional director of the intermediary management department of the CIRC. From April 2001 to June 2007, he served as vice president and chief underwriter of Sinosafe General Insurance Co., Ltd. From June 2007 to August 2012, he served as director of the Company appointed by Central Huijin. Meanwhile, from July 2011 to February 2012, he also served as director of the insurance equity management administration division of the non-banking department of Central Huijin. From February 2012 to July 2012, he also served as deputy director of the insurance institutions management department of Central Huijin. From November 2009 to January 2012, he also served as director of China Continent Insurance. Since August 2012, Mr. Ren has been executive Director and vice president of the Company, and has been the compliance controller since June 2015. Since February 2013, he has also been chairman of the supervisory committee of China Re AMC. Mr. Ren did not hold any directorship in any other listed companies during the past three years. Mr. Ren graduated from Nankai University in China with a bachelor's degree of economics in insurance in July 1989 and obtained a post-graduate certificate in finance (insurance) from the same university in November 1999.

Non-executive Directors

Ms. Lu Xiuli (路秀麗), aged 51, is a non-executive Director of the Company. She is a senior auditor and a certified public accountant (non-practising member) in the PRC. From August 1987 to January 2015, Ms. Lu worked at the department of finance audit of the NAO, where she served as deputy divisional director, divisional director and deputy-departmental level auditor. Since December 2014, Ms. Lu has been a non-executive Director of the Company. Ms. Lu did not hold any directorship in any other listed companies during the past three years. Ms. Lu graduated from Renmin University of China in China with a bachelor's degree in finance in July 1987 and obtained a master's degree in international finance from the same University in January 1996. Ms. Lu was accredited by the NAO as a senior auditor in September 2003 and accredited by the Chinese Institute of Certified Public Accountants as a certified public accountant (non-practising member) in the PRC in July 1997.

Mr. Shen Shuhai (申書海), aged 56, is a non-executive Director of the Company. From August 1983 to September 1985 and from July 1988 to April 1989, he was a lecturer at the finance department of Shaanxi Institute of Finance and Economics in China. From April 1989 to September 1991, he served as a cadre and principal staff member of the agriculture and culture department of the State-owned Assets Administration Bureau. From September 1991 to September 1994, he served as principal staff member and deputy divisional director of the asset and capital verification office of the State Council. From September 1994 to December 1994, he served as divisional director of the general affairs division of the asset and capital verification office of the Ministry of Finance. From December 1994 to July 1998, he served as divisional director of the general affairs division and deputy director of the statistics and assessment department of State-owned Assets Administration Bureau. From July 1998 to January 2015, he worked at the Ministry of Finance as secretary (division level) and deputy director of the stated-owned capital statistics & assessment department, deputy director of the statistics & assessment department and deputy director and inspector of the customs department. Since December 2014, Mr. Shen has been a non-executive Director of the Company. Mr. Shen did not hold any directorship in any other listed companies during the past three years. Mr. Shen graduated from Shaanxi Institute of Finance and Economics in China with a bachelor's degree in finance in July 1983 and obtained a master's degree in finance from the same institute in July 1988. He also graduated from Xi'an Jiaotong University in China with a doctoral degree in applied economics in November 2006.

Independent Non-executive Directors

Ms. Wang Jun (王珺), aged 43, is an independent non-executive Director of the Company. Ms. Wang joined the School of Economics and Management of Tsinghua University in China in September 1998 and served as a teaching assistant and then as a lecturer, and she currently serves as an associate professor of the same school. Since June 2011, Ms. Wang has been appointed as an independent non-executive Director of the Company. Ms. Wang did not hold any directorship in any other listed companies during the past three years. Ms. Wang graduated from Northern Jiaotong University (currently known as Beijing Jiaotong University) in China in July 1995 with a bachelor of engineering degree in computer and applications, graduated from Peking University in China in July 1998 with a master's degree in political economics, and graduated from Tsinghua University in China in January 2008 with a doctoral degree in quantitative economics.

Mr. Hao Yansu (郝演蘇), aged 57, is an independent non-executive Director of the Company. He is a professor. Mr. Hao served as a teaching assistant and lecturer of insurance at Liaoning University from September 1983 to July 1986. He was dean of insurance at Liaoning University from September 1987 to May 1993. Mr. Hao served as deputy dean and dean of the insurance department of the Central Institute of Finance and Economics from June 1993 to May 1997, managing director of Hong Kong Zhongqing Insurance and Risk Management Consulting Company (香港中青保險與風險管理顧問公司) from June 1997 to April 2000 and dean of the insurance department of the Central University of Finance and Economics from May 2000 to July 2006. Since July 2006, he has served as dean of the Central University of Finance and Economics School of Insurance. Mr. Hao has served as independent director of AnHua Agricultural Insurance Company Ltd. since September 2013 and has served as independent director of Dinghe Property Insurance Co., Ltd. since July 2014. Since December 2014, Mr. Hao has been an independent non-executive Director of the Company. Mr. Hao did not hold any directorship in any other listed companies during the past three years. Mr. Hao graduated from Liaoning Institute of Finance and Economics (currently known as Dongbei University of Finance and Economics) in China in July 1983 with a bachelor of economics degree in finance.

Mr. Li Sanxi (李三喜), aged 51, is an independent non-executive Director of the Company. He is a senior auditor. Mr. Li served at the administrative affairs department and audit research institute of the NAO from July 1988 to December 1999. Mr. Li was the general manager of Beijing Zhong Tian Heng Certified Public Accountants from December 1999 to June 2007. Since July 2007, Mr. Li has been the chairman of Beijing Zhong Tian Heng Management Consulting Co., Ltd., general manager of Beijing Zhong Tian Heng Certified Public Accountants and general manager of Beijing Zhong Tian Heng Da Engineering Consulting Company. Since December 2014, Mr. Li has been an independent non-executive Director of the Company. Mr. Li did not hold any directorship in any other listed companies during the past three years. Mr. Li graduated from Lanzhou Commercial College in China in July 1988 with a bachelor of economics degree in accounting. Mr. Li was accredited by the NAO as a senior auditor in November 1998.

Ms. Mok Kam Sheung (莫錦嫦), aged 55, is an independent non-executive Director of the Company. Ms. Mok joined Kwok & Yih in February 1997 and worked as a solicitor at Kwok & Yih from March 1997 to June 2001. She worked as a solicitor at So Keung Yip & Sin from July 2001 to September 2005. Ms. Mok served as a solicitor and senior solicitor at DLA Piper from October 2005 to August 2008. Ms. Mok was group general counsel of Enviro Energy International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1102) from August 2008 to July 2014 and company secretary of that company from August 2008 to June 2014. She served as a consultant at Simon Reid-Kay & Associates, Solicitors from August 2012 to April 2015. Ms. Mok served at CFN Lawyers as a senior consultant from April 2015 to September 2015 and as a partner since then. Since August 2015, Ms. Mok has been appointed as an independent non-executive Director of the Company. Ms. Mok did not hold any directorship in any other listed companies during the past three years. Ms. Mok graduated from the University of Plymouth in the UK with a bachelor of arts (honours) degree in July 1991. She graduated from the University of the West of England in the UK in July 1992 with a Common Professional Examination diploma in laws. She was also granted a certificate by the Law Society of England and Wales evidencing the passing of the Solicitors' Final Examination in April 1994. Ms. Mok was granted the qualification to practise as a solicitor in Hong Kong by the High Court of Hong Kong Special Administrative Region in March 1997 and to act as a solicitor of the Supreme Court of the United Kingdom in September 1998. She was appointed as a China-appointed attesting officer by the Ministry of Justice of the People's Republic of China in July 2012.

SUPERVISORS

The Board of Supervisors is responsible for inspecting financial issues and supervising the performance of duties by the Directors and the senior management of the Company. The table below sets forth certain information on our supervisors:

Name	Age	Date of joining the Company	Current position	Date of appointment	Duties	Relationship with other Directors, Supervisors and members of the senior management
Wang Yonggang (王永剛)	59	October 2007	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	September 2010	Responsible for supervising finance affairs and the performance of duties	None

Name	Age	Date of joining the Company	Current position	Date of appointment	Duties	Relationship with other Directors, Supervisors and members of the senior management
Wei Shiping (魏世平)	42	June 2011	Shareholder Representative Supervisor	June 2011	Responsible for supervising finance affairs and the performance of duties	None
Zhu Yong (朱永)	46	December 2014	Shareholder Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties	None
Cao Shunming (曹順明)	41	September 2006	Employee Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties	None
Lin Wei (林偉)	50	February 2009	Employee Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties	None

Mr. Wang Yonggang (王永剛), aged 59, is a shareholder representative Supervisor and the chairman of the Board of Supervisors of the Company. He is a certified public accountant (non-practising member) in the PRC and a senior accountant. From July 1980 to July 2000, he served in provincial and municipal branches of the People's Bank of China, as well as provincial branches and head office of the Industrial and Commercial Bank of China. He was supervisor of the People's Insurance Company of China and of our Company appointed by the State Council, and deputy director of the office of the board of supervisors thereof (deputy departmental level) from July 2000 to July 2003. From July 2003 to August 2004, he was supervisor and director of the office of the board of supervisors (departmental level) of China Construction Bank appointed by the State Council. Between August 2004 and June 2010, he was director of China Construction Bank appointed by Central Huijin. From October 2007 to September 2010, he served as Supervisor of the Company appointed by Central Huijin. Since September 2010, Mr. Wang has served as the chairman of the Board of Supervisors of the Company. Mr. Wang did not hold any directorship in any other listed companies during the past three years. Mr. Wang graduated from the infrastructure department of Heilongjiang Finance Technical College in China in August 1982, and graduated from Dongbei University of Finance and Economics in China with his master's degree in economics in February 1997. Mr. Wang obtained a senior accountant certificate granted by Industrial and Commercial Bank of China in March 1993, was accredited by Chinese Institute of Certified Public Accountants as a certified public accountant (non-practising member) in the PRC in March 1994, and has been engaged as financial and insurance enterprise financial management consulting expert for the Ministry of Finance since August 1997.

Mr. Wei Shiping (魏世平), aged 42, is a shareholder representative Supervisor of the Company. Mr. Wei worked in China Cinda Trust Investment Company from July 1997 to May 1999, and he served as the senior manager of China Cinda Asset Management Co., Ltd. from May 1999 to May 2008. Since May 2008, Mr. Wei has been working for the financial department of China Investment Corporation. Meanwhile, he served as senior deputy manager of the financial department of that company from May 2008 to June 2009, and has served as senior manager of the financial department of that company since June 2009. Since June 2011, Mr. Wei has been a shareholder representative Supervisor of the Company. Mr. Wei did not hold any directorship in any other listed companies during the past three years. Mr. Wei graduated from the Northern Jiaotong University (currently known as Beijing Jiaotong University) in China in April 1997 with a master's degree in accounting. Mr. Wei was accredited as a certified public accountant (non-practising member) by the Chinese Institute of Certified Public Accountants in June 1996, accredited as a chartered certified accountant by The Association of Chartered Certified Accountants (ACCA) in April 2003, and accredited as a chartered financial analyst (CFA) by the CFA Institute in September 2005.

Mr. Zhu Yong (朱永), aged 46, is a shareholder representative Supervisor of the Company. He is a senior auditor. Mr. Zhu worked for the department of monetary audit of the NAO as principal staff member and the deputy divisional director from July 2000 to December 2007. Mr. Zhu served as the general manager of the legal and audit department and general manager of the human resources department of Tianjin Binhai Rural Commercial Bank from December 2007 to July 2008. From September 2008 to June 2009, he worked as the director of China Export & Credit Insurance Corporation. Since June 2009, Mr. Zhu has been working for China Investment Corporation. Meanwhile, he served as senior deputy manager of the office of the board of supervisors / internal audit department of that company from June 2009 to November 2011. He has served as senior manager of the office of the board of supervisors / internal audit department of that company since November 2011, and has served as the leader of the working group of the board of supervisors of that company since July 2014. Since December 2014, Mr. Zhu has been appointed as a shareholder representative Supervisor of the Company. Mr. Zhu did not hold any directorship in any other listed companies during the past three years.. Mr. Zhu graduated from Peking University in China in July 2000, with a doctoral degree in history of economics philosophy. Mr. Zhu was accredited by the NAO as a senior auditor in December 2007.

Mr. Cao Shunming (曹順明), aged 41, is an employee representative supervisor of the Company. He is an associate researcher. From July 2002 to August 2006, Mr. Cao worked as head of the fund management department of People's Insurance Company of China, head of legal of PICC Asset Management Company Limited, and head of the legal department and assistant to the divisional director of PICC P&C (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 2838). Mr. Cao joined the Company in September 2006 and he served as senior manager of the legal affairs division in the development and reform department, and deputy general manager of the risk management, legal & compliance department, as well as the divisional director of the compliance management division and deputy general manager (in charge of daily operations) of the department. Since November 2011, Mr. Cao has also been supervisor of China Life Reinsurance Corporation (which was later restructured as China Re Life). Since November 2011, he has also been the director of Huatai Insurance Agency. Since March 2013, Mr. Cao has been the general manager of the internal control, compliance & legal affairs department of the Company. Since December 2014, Mr. Cao has been an employee representative Supervisor of the Company. Mr. Cao did not hold any directorship in any other listed companies during the past three years. Mr. Cao graduated from China University of Political Science and Law in China in July 1996 with a bachelor's degree in law, from the Graduate School of that university in July 1999 with a master's degree in law, and from the Graduate School of Chinese Academy of Social Sciences in China in July 2002 with a doctoral degree in law. Mr. Cao was granted a lawyer certification by the lawyer qualification review committee of the Ministry of Justice in June 1997.

Mr. Lin Wei (林偉), aged 50, is an employee representative Supervisor of the Company. He is a senior accountant. Mr. Lin served as a cadre of the finance management division of the finance and accounting department of People's Insurance Company of China from July 1986 to September 1993, and served as the deputy financial manager of the New York branch of China-US Insurance Company (中美保險公司) from September 1993 to October 1995. He worked as principal staff member of the finance management division of the accounting department of People's Insurance Company of China from October 1995 to January 1996. From January 1996 to December 2003, Mr. Lin served the Company as the deputy divisional director of the financial division of the financial planning department, divisional director of the financial management division of the financial planning department, first as representative, and then as the chief representative, of the New York office of the Company. Between December 2003 and February 2009, he served as the controller and deputy general manager of the financial planning department of China Property and Casualty Reinsurance Corporation. Since February 2009, Mr. Lin had served at the Company as deputy general manager and general manager of the finance management department, then as general manager of the audit department since May 2012. Meanwhile, Mr. Lin also served as supervisor of China Continent Insurance from September 2010 to January 2012, and director of China Re AMC from December 2009 to April 2012. Since April 2012, Mr. Lin has also been director of China Continent Insurance. Since February 2013, he has also been supervisor of China Re AMC. Since December 2014, Mr. Lin has been an employee representative Supervisor of the Company. Mr. Lin did not hold any directorship in any other listed companies during the past three years. Mr. Lin graduated from Beijing Institution of Finance and Trade in China in July 1986 with a bachelor's degree in finance. Mr. Lin was accredited by the People's Insurance Company (Group) of China as a senior accountant in August 1997.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of the Company's business. The following table sets forth certain information concerning our senior management:

Name	Age	Date of joining the Company	Current position	Date of appointment	Responsibilities	Relationship with other Directors, Supervisors and senior management
Zhang Hong (張泓)	51	January 1996	President	August 2012	Responsible for overseeing the management of the planning & business administrative department and international department, and responsible for liaising with China Re UK and China Re Underwriting	None
Ren Xiaobing (任小兵)	48	June 2007	Vice President, Compliance Controller	Vice President since August 2012, Compliance Controller since June 2015	Responsible for overseeing the management of the actuarial & risk management department, internal control, compliance & legal affairs department, and information technology department	None
Kou Riming (寇日明)	57	January 2009	Vice President, Chief Financial Officer	Vice President since March 2009, Chief Financial Officer since December 2011	Responsible for overseeing the management of the financial management department and listing office, as well as liaising with Huatai Insurance Agency	None
Yu Qing (余青)	51	February 2009	Vice President, Board Secretary	March 2009	Responsible for overseeing the management of the office of Board of Directors, asset management department of the Company	None

Name	Age	Date of joining the Company	Current position	Date of appointment	Responsibilities	Relationship with other Directors, Supervisors and senior management
Liu Tianyang (劉天洋)	54	September 2009	Audit Controller	May 2013	Responsible for overseeing the management of the disciplinary inspection department (special inspection office), audit supervision department, and responsible for the disciplinary inspection and audit affairs of the Company	None
He Chunlei (和春雷)	50	July 2015	Vice President	September 2015	Responsible for overall management of China Continent Insurance	None
Zhao Wei (趙威)	44	September 2015	Assistant to President	September 2015	Responsible for overseeing the work of general manager office of China Re AMC	None
Zhang Xiaohong (張曉紅)	49	September 2015	Assistant to President	September 2015	Responsible for overseeing the management of the CNIP business	None
Tian Meipan (田美攀)	40	November 2012	Chief Actuary	November 2012	Responsible for performing the relevant duties of Company's chief actuary	None

Please refer to the section titled "— Directors" above for the biography of Mr. Zhang Hong and Mr. Ren Xiaobing. The biographies of other senior management are as follows:

Mr. Kou Riming (寇日明), aged 57, is vice president and the chief financial officer of the Company. He is a senior accountant and a senior engineer. He is responsible for overseeing the management of the financial management department and listing office, as well as liaising with Huatai Insurance Agency. From March 1994 to November 2001, he served at China Development Bank as divisional director of the banking agency division of the international financial department, divisional director of the fund division (trading office), assistant to departmental director and divisional director of the fund and trading division, deputy director of the international financial department, as well as deputy director of the fund department and general manager of the trading office. Mr. Kou served as director of the shareholding restructuring office for the China Three Gorges Project Corporation from November 2001 to September 2002, deputy general manager and chief financial officer of China Yangtze Power Co., Ltd. from September 2002 to September 2005 and managing director of the fixed income department of UBS Investment Bank from June 2006 to January 2009. Mr. Kou joined the Company in January 2009. He has served as vice president since March 2009 and as the chief financial officer since December 2011. Meanwhile, between December 2009 and August 2011, he also served as vice chairman and general manager of China Re AMC, and was also appointed as the chief financial officer of that company from February 2010 to August 2011. Mr. Kou did not hold any directorship in any other listed companies in the last three years. Mr. Kou graduated from Taiyuan Institute of Technology (currently known as Tai Yuan University of Technology) in China in December 1981 with a bachelor's degree in water resources and hydropower engineering construction from the Department of Water Conservancy Engineering, graduated from the China Institute of Water Resources and Hydropower Research in November 1984 with a master's degree of engineering in hydraulic structures and graduated from Institute of Geology of China Academy of Sciences in China in June 1989 with a doctor of science degree in hydrogeology and engineering geomechanics. Mr. Kou was accredited by the China State Construction Engineering Corporation as a senior accountant in August 2006 and was accredited by the China Development Bank as a senior engineer in March 1993.

Ms. Yu Qing (余青), aged 51, is vice president and board secretary of the Company. Ms. Yu is responsible for overseeing the management of the office of Board of Directors and asset management department. From February 1989 to February 2009, Ms. Yu served in the Ministry of Finance as a staff member, deputy principal staff member, principal staff member, deputy divisional director and divisional director of the foreign debt division of the national debt management department, divisional director of the No. 4 finance division, divisional director of the No. 1 finance division, divisional director of the general division and cadre of deputy-departmental level of the finance department. Ms. Yu joined the Company in February 2009, since March 2009 has been vice president and board secretary, and since May 2010 has been the principal committee member of asset-liability management committee. Since August 2011, Ms. Yu has also served as chairman of China Re AMC. Ms. Yu did not hold any directorship in any other listed companies in the last three years. Ms. Yu graduated from Nankai University in China in July 1986 with a bachelor's degree in international economics and graduated from School of Economics of Peking University in China in January 1989 with a master's degree in history of foreign economics philosophy.

Ms. Liu Tianyang (劉天洋), aged 54, is the secretary of the commission for discipline inspection and audit controller of the Company. Ms. Liu is responsible for overseeing the management of the discipline inspection department (dedicated inspection office) and audit supervision department, and responsible for the discipline inspection and audit affairs of the Company. Ms. Liu served as deputy director of China Foreign Economy and Trade Trust Co., Ltd. and president of China Foreign Economy and Trade Trust Co., Ltd. (Hainan Branch) from December 1992 to August 1995, deputy general manager of the enterprise department of China National Chemicals Import and Export Corporation from August 1995 to March 1999, and general manager of the industry department of Chinese Commercial Enterprise Group from March 1999 to May 1999. She also served as the general manager of the guarantee business department and vice chairman of the labour union of China Export & Credit Insurance Corporation from May 1999 to August 2008, and was vice president of Dagong Global Credit Rating Co., Ltd. from August 2008 to September 2009. Ms. Liu joined the Company in September 2009 and has since then served as the secretary of the commission for discipline inspection. She has been the audit controller since May 2013. Ms. Liu has also served as chairman of the board of supervisory of China Property and Casualty Reinsurance Corporation (which was later restructured as China Re P&C) since December 2011. Ms. Liu did not hold any directorship in any other listed companies in the last three years. Ms. Liu graduated from Renmin University of China in China in July 1996 with a master's degree in international finance and graduated from Huazhong University of Science and Technology in China in March 2002 with a doctoral degree in management science and engineering.

Mr. He Chunlei (和春雷), aged 50, is vice president of the Company. Mr. He is responsible for overall management of China Continent Insurance. Mr. He served as a cadre of the Economic Research Institute of the Academy of Social Sciences of Shaanxi Province from July 1987 to September 1991. From July 1997 to August 1999, he was a post-doctorate researcher of the economics post-doctorate mobile station of the Chinese Academy of Social Sciences. From August 1999 to October 2003, he served at the Company as staff and divisional director of the general division of the compulsory reinsurance business department, deputy general manager of the property insurance department, deputy general manager and general manager of the business management department, and deputy general manager of the Shanghai branch. From October 2003 to February 2011, he served as deputy general manager of China Continent Insurance. Since August 2011, he has been a director of China Re AMC. From December 2011 to March 2014, he served as vice chairman and general manager of China Re P&C. Meanwhile, Mr. He also served as the chief executive officer of the international P&C reinsurance business of the Company from July 2012 to May 2013. He has been the chairman of China Continent Insurance since May 2014. Mr. He joined the Company in July 2015, and has been vice president of the Company since September 2015. Mr. He did not hold any directorship in any other listed companies in the last three years. Mr. He graduated from the Northwest College of Political Science and Law of China (currently known as Northwest University of Political Science and Law) in July 1987 with a bachelor's degree in political economics, obtained a master's degree in political economics from the Northwest University in China in July 1994, and obtained a doctoral degree in economics from the graduate school of the Chinese Academy of Social Sciences in China in July 1997.

Mr. Zhao Wei (趙威), aged 44, is an assistant to the president of the Company. Mr. Zhao is responsible for overseeing the work of general manager office of China Re AMC. From March 2003 to June 2004, Mr. Zhao was deputy general manager of the fund operation center of China Life Insurance (Group) Company. From June 2004 to April 2006, he served as director of the account management center of China Life Asset Management Company Limited. From April 2006 to February 2010, he served as general manager of China Life Hong Kong Asset Management Company and president of China Life Franklin Asset Management Company Limited. From February 2010 to September 2011, he served as vice president of New China Asset Management Corporation Limited. Since April 2012, he has been the vice chairman and general manager of China Re AMC. Meanwhile, Mr. Zhao has been a non-executive director of China Everbright Bank (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 6818; and listed on the Shanghai Stock Exchange, stock code: 601818) since February 2015 and has also been chairman of China Re AMC HK since April 2015. Mr. Zhao has been assistant to the president of the Company since September 2015. Mr. Zhao did not hold any directorship in any other listed companies in the last three years. Mr. Zhao graduated from Jilin University in China in May 1998 with a master's degree in national economic planning and management, and he graduated from the Fiscal Science Research Institute of the Ministry of Finance in China in July 2005 with a doctoral degree in finance.

Ms. Zhang Xiaohong (張曉紅), aged 49, is an assistant to the president of the Company. Ms. Zhang is responsible for overseeing the management of the CNIP business. Ms. Zhang was a staff in the reinsurance department of the People's Insurance Company of China from July 1992 to January 1996. From January 1996 to August 1998, she served at the Company as principal staff member of the ceding business department of the Company, deputy divisional director of non-marine insurance division of the domestic business department and then deputy divisional director of special insurance division of the compulsory reinsurance business department. From August 2000 to December 2005, she served as divisional director of special insurance division of the legal affairs department, deputy general manager and then general manager of the Company. From January 2006 to September 2015, she served as director and general manager of China Re Life. Meanwhile, Ms. Zhang served as the compliance controller of China Re Life from November 2008 to June 2011 and vice chairman of the same company from August 2009 to February 2015. Meanwhile, Ms. Zhang has also been director of China Re AMC since December 2009. Since September 2015, Ms. Zhang has been assistant to the president of the Company. Ms. Zhang did not hold any directorship in any other listed companies in the last three years. Ms. Zhang graduated from the Beijing Normal University in China in June 1989 with a bachelor's degree in English, and obtained a master's degree in English language and literature from the same university in July 1992. From 1999 to 2000, Ms. Zhang was an academic of the Hubert H. Humphrey School of Public Affairs of University of Minnesota in the United States and obtained a master's degree in public affairs from that school in May 2001. Ms. Zhang was accredited by the Chartered Insurance Institute as an associate of that institute in May 1998.

Mr. Tian Meipan (田美攀), aged 40, is the chief actuary of the Company. Mr. Tian is responsible for performing the relevant duties of Company's chief actuary. Mr. Tian served as a lecturer at the insurance department of Nankai University from July 1999 to December 2001. From December 2001 to December 2003, Mr. Tian served at the commercial business division of life insurance business department of the Company. From December 2003 to September 2015, Mr. Tian served as divisional director of the actuarial division, deputy general manager, deputy general manager (in charge of daily operations), controller of risk management department, deputy chief actuary, actuarial controller, deputy general manager and then chief actuary of China Life Reinsurance Corporation (which was later restructured as China Re Life) and has served as the director and general manager of that company since September 2015. Mr. Tian has served as the chief actuary of the Company since November 2012. Mr. Tian did not hold any directorship in any other listed companies in the last three years. Mr. Tian graduated from Nankai University in China in June 1996 with a bachelor's degree in international finance and graduated from the same university in July 1999 with a master's degree in finance. Mr. Tian obtained North America actuary certificate granted by Society of Actuaries in May 2002, and also obtained actuary certificate in the PRC issued by the CIRC in March 2007.

JOINT COMPANY SECRETARIES

Ms. Yu Qing (余青) is one of the joint company secretaries of the Company. Please refer to "— Senior Management" for her biography. Since Ms. Yu Qing does not possess the qualification required in Rule 3.28 of the Hong Kong Listing Rules, we have applied for and have been granted by the Hong Kong Stock Exchange a waiver from strict compliance with the relevant provisions. Please refer to "Waivers from compliance with the Listing Rules — Joint Company Secretaries."

Ms. Yung Mei Yee (翁美儀) was appointed as one of our joint company secretaries with effect from 24 July 2015. Ms. Yung served as the senior manager of KCS Hong Kong Limited and has over 20 years of experience in the company secretarial field. She is currently joint company secretary of several companies listed on the Hong Kong Stock Exchange. Ms. Yung has extensive knowledge and experience in dealing with corporate governance and compliance issues of listed companies. Ms. Yung graduated from City Polytechnic of Hong Kong in Hong Kong in November 1993 with a bachelor of arts degree in accountancy, graduated from the same university in November 2000 with a master of arts degree in language and law, and graduated from University of London in the UK with a bachelor of law degree in August 2010. Ms. Yung has been a senior member of HK Institute of Chartered Secretaries since December 1996, and has been a senior member of Institute of Chartered Secretaries and Administrators since December 1996.

BOARD COMMITTEES

We have established the following committees under the Board of Directors: the audit committee, the nomination and remuneration committee, the strategy and investment committee, the risk management committee and the related transactions control committee. The committees operate in accordance with terms of reference established by the Board of Directors.

Audit Committee

We have established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of two non-executive Directors, Ms. Lu Xiuli and Mr. Shen Shuhai and three independent non-executive Directors, being Mr. Hao Yansu, Mr. Li Sanxi and Ms. Wang Jun. Mr. Li Sanxi holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The chairman of the audit committee is Mr. Li Sanxi and vice chairman is Mr. Hao Yansu. The primary duties of the audit committee include, but are not limited to, the following: (i) examine our internal audit system and monitor its implementation, and inspect, monitor and evaluate our internal audit; (ii) monitor the implementation of our internal control and management system, inspect and evaluate the compliance and effectiveness of our material operating activities; review our corporate governance report and compliance report on a regular basis, and make recommendation to the Board on matters where action or improvement is needed; (iii) examine our financial information and its disclosure, examine our key financial system and its implementation, monitor financial status; monitor the truthfulness of financial reports and the effectiveness of financial reporting procedures implemented by our management; (iv) make recommendations on the appointment, re-appointment, replacement or removal of external auditors, monitor the independence and objectivity, audit process and works of external auditors, coordinate the communication between our internal audit department and external auditors, examine reports issued by external auditors, ensure external auditors' accountability to the Board and the audit committee; and (v) other matters as authorised by the Board.

Nomination and Remuneration Committee

We have established the nomination and remuneration committee with written terms of reference in compliance with paragraphs A5 and B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The nomination and remuneration committee consists of two non-executive Directors, being Ms. Lu Xiuli and Mr. Shen Shuhai, and three independent non-executive Directors, being Mr. Li Sanxi, Ms. Wang Jun and Ms. Mok Kam Sheung. The chairman of the nomination and remuneration committee is Ms. Wang Jun and vice chairman is Mr. Shen Shuhai. The primary duties of the nomination and remuneration committee include, but are not limited to, the following: (i) make recommendations to the Board regarding the selection procedures and criteria for our Directors and senior management and the structure and the composition of the Board; (ii) review the qualifications of the Directors and senior management in accordance with the selection procedures and criteria, and make recommendations to the Board; (iii) regularly (at least annually) evaluate the reasonableness of the Company's (including but not limited to the Board's) structure, size and composition (including the skills, knowledge and experience), and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; (iv) make preliminary review on the candidates of our Directors and senior management (including Board secretary), and make recommendations to the Board; (v) nominate candidates for members of special committees (excluding this committee) of the Board; (vi) propose the remuneration policy and package of the Directors, the Supervisors and senior management, and make recommendations to the Board; (vii) consider salaries paid by comparable companies, time commitment and responsibilities required and terms of employment elsewhere in the Group; (viii) examine and approve compensation payable to executive Directors and senior management due to their loss or termination of office or appointment; (ix) examine and approve compensation arrangements relating to dismissal or removal of Directors due to misconduct; (x) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; (xi) consider the evaluation plans and remuneration package of our senior management, evaluate their performance and works, and submit to the Board for approval; (xii) examine our primary compensation system, the evaluation plans for the results of operation of the Company and our major subsidiaries, and make recommendations to the Board; and (xiii) other matters as authorised by the Board.

Strategy and Investment Committee

We have established the strategy and investment committee with written terms of reference. The strategy and investment committee consists of three executive Directors, being Mr. Li Peiyu, Mr. Wang Pingsheng and Mr. Zhang Hong, and two non-executive Directors, being Ms. Lu Xiuli and Mr. Shen Shuhai. The chairman of the strategy and investment committee is Mr. Li Peiyu. The primary duties of the strategy and investment committee include, but are not limited to, the following: (i) reviewing our development strategies; (ii) reviewing our operation plans, annual financial budget and final accounting plans; (iii) reviewing the goals of our assets and liabilities management, asset allocation plans, and other investment asset management matters within the scope of authorisation by the Board; (iv) reviewing our major investment and fund raising plans, and matters such as investment, asset acquisition, asset disposal and write-off, external guarantee and external gifting within the scope of mandates granted in a general meeting (except for those performed by the senior management as authorised by the Board); (v) review of the basic systems of strategy management and asset management; (vi) review of the structure of our internal management departments and branch entities, and propose to formulate the structural plans of corporate bodies; and (vii) other matters as authorised by the Board.

Risk Management Committee

We have established the risk management committee with written terms of reference. The risk management committee consists of three executive Directors, being Mr. Li Peiyu, Mr. Zhang Hong and Mr. Ren Xiaobing, a non-executive Director, being Ms. Lu Xiuli and an independent non-executive Director Mr. Hao Yansu. The chairman of the risk management committee is Mr. Li Peiyu and vice chairman is Ms. Lu Xiuli. The primary duties of the risk management committee include, but are not limited to, the following: (i) reviewing our risk strategies and risk management procedures, and monitoring and evaluating their implementation and effectiveness; (ii) reviewing our risk management policies and internal control systems, and monitoring and evaluating their implementation and effectiveness; (iii) monitoring and evaluating the organisation structure, department-setting, working procedures and effectiveness of risk management, and make recommendations as to improve our risk management and control; (iv) monitoring and evaluating the senior management's efforts on risk control in respect of market and operation; (v) reviewing the risk assessment report on a regular basis, and assess our risk profile regularly; and (vi) other matters as authorised by the Board.

Related Transactions Control Committee

We have established the related transactions control committee with written terms of reference. The related transactions control committee consists of three independent non-executive Directors, being Mr. Hao Yansu, Ms. Wang Jun and Mr. Li Sanxi. The chairman of the related transactions control committee is Mr. Hao Yansu. The primary duties of the related transactions control committee include, but are not limited to, the following: (i) identifying our related parties; (ii) preliminary review of related transactions to be approved by the general meeting and the Board; (iii) within the scope of authorisation by the Board, accepting the filing of related transactions; and (iv) other matters as authorised by the Board.

COMPENSATION OF DIRECTORS, SUPERVISORS AND MANAGEMENT

The Directors, Supervisors and senior management receive compensation in the form of salaries, directors' fees, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind.

The aggregate amount of remuneration paid by the Company to the Directors for the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately RMB7.3 million, RMB6.4 million, RMB6.7 million and RMB2.0 million, respectively.

The aggregate amount of remuneration paid by the Company to the Supervisors for the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately RMB3.3 million, RMB3.5 million, RMB6.8 million and RMB1.8 million, respectively.

The aggregate amount of remuneration paid by the Company to its senior management (excluding senior management who also serve as the Directors or Supervisors during the respective periods) for the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately RMB3.9 million, RMB4.1 million, RMB4.2 million and RMB1.2 million, respectively.

For the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the five highest paid individuals of the Company included one Director for the financial year ended 31 December 2012 (whose remuneration is included in the aggregate amount of remuneration paid by us to such directors as described above), with the others not being Directors or Supervisors. For the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the aggregate amount of remuneration paid by the Company to the remaining four (in the case of 2012) or the five (in the case of other periods) highest paid individuals were approximately RMB7.1 million, RMB9.7 million, RMB14.0 million and RMB7.0 million, respectively.

Under the arrangements in force as at the date of this prospectus, we estimate that the aggregate remuneration to be paid and granted to the Directors, Supervisors and senior management for the financial year ending 31 December 2015 will be approximately RMB10.2 million.

During the Track Record Period, no remuneration was paid to the Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining, the Group. During the Track Record Period, no compensation was paid to, or receivable by, the Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the same period.

Save as disclosed above, no other payments have been paid or are payable, by us or any of our subsidiaries to the Directors, Supervisors or senior management for the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015.

Our Articles of Association provide that the ordinary remuneration of Directors and Supervisors shall be determined by the Company at general meetings from time to time. The remuneration and allowance of independent Directors shall be determined by the Board, and passed by general meetings. Our Articles of Association provide that we shall enter into written contracts with the Directors and Supervisors in respect of remuneration matters with prior approval at general meetings.

COMPLIANCE ADVISER

We have appointed CICC HKS as the compliance adviser of the Company pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our listed securities under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules. Such appointment may be extended by mutual agreement.

So far as the Directors are aware, assuming that the Over-allotment Option is not exercised, the following persons will, immediately following completion of the Global Offering, have interests in or hold short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Nature of interest	Class	Number of Shares	Approximate percentage of the registered capital of the Company	Approximate percentage of the relevant class of Shares in the Company
MOF	Legal and beneficial owner	Domestic Shares	5,407,101,067	12.82%	15.09%
Central Huijin	Legal and beneficial owner	Domestic Shares	30,423,521,018	72.13%	84.91%
NSSF	Legal and beneficial owner	H Shares	576,989,000	1.37%	9.09%

So far as the Directors are aware, assuming that the Over-allotment Option is exercised in full, the following persons will, immediately following completion of the Global Offering, have interests in or hold short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Nature of interest	Class	Number of Shares	Approximate percentage of the registered capital of the Company	Approximate percentage of the relevant class of Shares in the Company
MOF	Legal and beneficial owner	Domestic Shares	5,394,040,345	12.53%	15.09%
Central Huijin	Legal and beneficial owner	Domestic Shares	30,350,033,740	70.51%	84.91%
NSSF	Legal and beneficial owner	H Shares	663,537,000	1.54%	9.09%

RELATIONSHIP WITH CENTRAL HUIJIN

Central Huijin, our controlling Shareholder, is a limited liability company ultimately wholly owned by the PRC central government and mandated by the PRC to invest in and hold shares in major PRC financial institutions. It exercises the rights and assumes the obligations of an investor in financial institutions, including the Company, on behalf of the PRC Government, and implements PRC government policies with respect to reforms of state-owned financial institutions. Central Huijin does not engage in any other commercial activities.

Central Huijin has irrevocably undertaken to the Company that:

(1) so long as Central Huijin holds Shares in the Company and its shareholding in the Company is considered, under the laws or the listing rules of the PRC or the place where the Shares in the Company are listed (if the Shares in the Company are listed for trading), to make it a controlling shareholder of the Company or a connected person of such shareholder or a de facto controller of the Company, it will not engage in or participate in any competing reinsurance and/or insurance business within or outside the territory of the PRC. In the event that Central Huijin participates in or conducts any competing reinsurance and/or insurance business or any business or activity that has evolved into a competing reinsurance and/or insurance business in any place within or outside the territory of the PRC, it will immediately cease its participation in or management or operation of such competing reinsurance and/or insurance business;

(2) if Central Huijin obtains any governmental approval, authorisation or licence to operate any reinsurance and/or insurance business directly or obtains any other opportunity to operate any reinsurance and/or insurance business, it will immediately relinquish such approval, authorisation or licence and will not operate any reinsurance and/or insurance business;

(3) notwithstanding the undertakings in (1) and (2) above, Central Huijin, as a state-owned investment company established by the PRC Government engaging in investments in the financial industry, may, through other enterprises in which it invests, engage in or participate in any competing reinsurance and/or insurance business in any form (including without limitation sole proprietorship, joint venture or cooperative operation and direct or indirect holding of shares or other interests in other companies or enterprises) within or outside the territory of the PRC; and

(4) as a state-owned investment company established by the PRC Government engaging in investments in the financial industry, Central Huijin shall treat the insurance companies in which it invests equally and shall not grant or provide any government approvals, authorisations or licences or business opportunities with respect to reinsurance and/or insurance business it has obtained or may obtain to any insurance company. It shall not use its position as a Shareholder or the information it receives as a Shareholder to make any decisions or judgments that are to the disadvantage of the Company and to the advantage of other insurance companies in which it invests and shall avoid the occurrence of such objective results. Central Huijin shall exercise its rights as a Shareholder as if the Company were the only insurance company in which it invests and shall exercise its rights as a Shareholder for the maximum benefits or in the best interests of our Company, and the business judgements which it makes as a Shareholder for the maximum benefits or in the best interests of the Company shall not be influenced by its investments in other insurance companies.

This section sets forth certain information regarding the registered capital of the Company before and after completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As at the Latest Practicable Date, the registered capital of the Company was RMB36,407,611,085, comprising 36,407,611,085 Domestic Shares with a par value of RMB1.00 per Share. The particulars of the shareholdings in the Company were as follows:

Shareholder	Class	Number of Shares	Approximate percentage of the registered capital
MOF	Domestic Shares	5,494,172,897	15.09%
Central Huijin	Domestic Shares	30,913,438,188	84.91%
Total		36,407,611,085	100%

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the registered capital of the Company will be RMB42,177,501,085, comprising 6,346,879,000 H Shares and 35,830,622,085 Domestic Shares, representing approximately 15.05% and 84.95%, respectively, of the registered capital of the Company. The particulars of the shareholdings in the Company will be as follows:

Shareholder	Class	Number of Shares	Approximate percentage of the registered capital
MOF	Domestic Shares	5,407,101,067	12.82%
Central Huijin	Domestic Shares	30,423,521,018	72.13%
NSSF	H Shares	576,989,000	1.37%
H Shares issued pursuant to the Global Offering	H Shares	5,769,890,000	13.68%
Total		42,177,501,085	100%

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is exercised in full, the registered capital of the Company will be RMB43,042,981,085, comprising 7,298,907,000 H Shares and 35,744,074,085 Domestic Shares, representing approximately 16.96% and 83.04%, respectively, of the registered capital of the Company. The particulars of the shareholdings in the Company will be as follows:

Shareholder	Class	Number of Shares	Approximate percentage of the registered capital
MOF	Domestic Shares	5,394,040,345	12.53%
Central Huijin	Domestic Shares	30,350,033,740	70.51%
NSSF	H Shares	663,537,000	1.54%
H Shares issued pursuant to the Global Offering	H Shares	6,635,370,000	15.42%
Total		43,042,981,085	100%

RANKING OF THE SHARES

The H Shares in issue upon completion of the Global Offering and the Domestic Shares will both be ordinary shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, may only be subscribed for and traded in Renminbi. All dividends in respect of the H Shares are to be paid by the Company in Hong Kong dollars, whereas all dividends in respect of Domestic Shares are to be paid by the Company in Renminbi. Dividends may be distributed in the form of shares as well as in the form of cash. H Shares and Domestic Shares are generally not interchangeable or fungible.

H Shares and Domestic Shares are regarded as different classes of Shares under the Articles of Association. The differences between H Shares and Domestic Shares, including provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and the appointment of dividend receiving agents are set out in the Articles of Association and summarised in Appendix VII to this prospectus. H Shares and Domestic Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, any transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

SHARES HELD BY THE MOF AND CENTRAL HUIJIN

Upon completion of the Global Offering, all Shares held by the MOF and Central Huijin will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares.

We have two classes of ordinary Shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by the MOF and Central Huijin and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws. Given the above, our PRC legal adviser, King & Wood Mallesons, has advised us that the use of the term "unlisted Shares" in the Articles of Association does not contravene and is not inconsistent with any PRC laws and regulations (including the Special Regulations and Mandatory Provisions).

According to the stipulations by the State Council's securities regulatory authority, the Domestic Shares held by the MOF and Central Huijin may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion, listing and trading of such converted shares, any requisite internal approval processes shall have been duly completed in accordance with the Articles of Association and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Hong Kong Stock Exchange is required if any of the Domestic Shares held by the MOF and Central Huijin are to be converted into and traded as H Shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of the Domestic Shares held by the MOF and Central Huijin into H Shares as described above, we can apply for the listing of all or any portion of the Domestic Shares held by the MOF and Central Huijin on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after the Listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of the Listing in Hong Kong.

In accordance with the Articles of Association, no class shareholder vote is required for the conversion of such Shares or for the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after the Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and be re-registered on the H Share register maintained in Hong Kong on the condition that (i) the H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due despatch of Share certificate(s) and (ii) the admission of the Shares to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such Shares are re-registered on the H Share register, such Shares would not be listed as H Shares.

To effect the withdrawal of the MOF's and Central Huijin's Shares that are deposited with the China Securities Depository and Clearing Corporation Limited and register such Shares on the H Share register, the MOF and Central Huijin shall issue to the Company a removal request on a prescribed form specifying the number of such Shares and attaching the relevant documents of title. Subject to the Company being satisfied with the authenticity of the document and the approval of the Board of Directors, the Company will give the H Share Registrar instructions that with effect from a specified date, the H Share Registrar is to issue to the MOF and Central Huijin the H Share certificate(s) for such specified number of Shares. The shareholding interest of the MOF and Central Huijin deposited with the China Securities Depository and Clearing Corporation Limited will be reduced correspondingly. In addition, the Company will make an announcement to inform Shareholders and the public of such fact not later than three days prior to the proposed specified date in accordance with the requirements under the Listing Rules.

Upon completion of the Global Offering and the deposit of the Shares held by the MOF and Central Huijin with the China Securities Depository and Clearing Corporation Limited, the MOF and Central Huijin will be subject to the regulatory transfer restrictions described in the section "Lock-up Period" below. Upon any re-registration of the shares of the MOF and Central Huijin on the H Share register, the MOF and Central Huijin will remain subject to such transfer restrictions to the extent that such restrictions have not expired.

LOCK-UP PERIOD

Pursuant to Rule 10.07(1) of the Listing Rules, our controlling Shareholder shall not:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) during the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our controlling Shareholder,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding in us is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, it will:

(a) when it pledges or charges any Shares or other securities beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of the Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Further, under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange.

Based on the aforesaid restrictions, Shares issued before the Listing Date (including the Shares held by the MOF and by Central Huijin) must not be transferred within a period of one year from the Listing Date. However, the Shares to be transferred by the MOF and Central Huijin, respectively, to NSSF in accordance with relevant PRC regulations (see the section "Transfer of State-Owned Shares" below) are not subject to such restrictions under the PRC Company Law.

TRANSFER OF STATE-OWNED SHARES

Pursuant to the relevant PRC regulations regarding transfers of state-owned Shares, each of the MOF and Central Huijin is required to transfer to NSSF, in proportion to their respective shareholding in the Company, such number of Domestic Shares which in aggregate are equivalent to 10% of the number of the Offer Shares (576,989,000 H Shares before the Over-allotment Option is exercised and 663,537,000 H Shares after the Over-allotment Option is exercised in full) or pay the equivalent values of those Shares at the Offer Price under the Global Offering to the NSSF in cash. At the time of the Listing, each of such Domestic Shares will be converted into one H Share. These H Shares will not form part of the Global Offering but will be considered as part of the Shares held by public investors for the purpose of Rule 8.08 of the Listing Rules. None of the Company, the MOF or Central Huijin will receive any proceeds from the transfer of Shares to the NSSF or any subsequent disposal of such H Shares by the NSSF.

The transfer of the state-owned Shares by the MOF and Central Huijin to the NSSF was approved by the MOF on 14 July 2015. The conversion of those Shares into H Shares was approved by the CSRC on 18 August 2015.

We have been advised by our PRC legal adviser, King & Wood Mallesons, that the transfer and the conversion of the Shares referred to above and the holding of H Shares by the NSSF following such transfer and conversion have been approved by the relevant PRC authorities and are in compliance with PRC law.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since most of our business is managed and operated outside of Hong Kong and all of our executive Directors reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules provided that the following conditions are satisfied:

(1) We have, pursuant to Rule 3.05 of the Listing Rules, appointed Mr. Li Peiyu and Ms. Yu Qing as our authorised representatives to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided their respective contact information to the Hong Kong Stock Exchange for the Hong Kong Stock Exchange to contact them in Hong Kong for their prompt handling of the enquiries at all times. Both of them possess valid travel documents and can easily make themselves available in Hong Kong whenever necessary to deal promptly with enquiries from the Hong Kong Stock Exchange. The Hong Kong Stock Exchange can at any time meet the authorised representatives at short notice to discuss any matter relating to the Company. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorised representatives will be able to contact our Directors promptly at all times. Each Director shall provide his or her mobile phone number, office phone number, facsimile number and email address to our authorised representatives.

(2) We have provided the contact information of each Director to the Hong Kong Stock Exchange to facilitate communication. Moreover, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period.

(3) We have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules as our additional channel of communication with the Hong Kong Stock Exchange. Its representative will be fully available to answer enquiries from the Hong Kong Stock Exchange. The contact person of the compliance adviser will maintain constant contact with our authorised representatives, Directors and senior management to ensure prompt responses to any enquiry or request from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our company secretaries must comply with Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, we must appoint an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary, as our company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic or professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

- a Member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules set out the factors that the Hong Kong Stock Exchange consider when assessing an individual's relevant experience:

- length of employment with the issuer and other issuers the roles he played;
- familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Hong Kong Companies Ordinance, Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- professional qualifications in other jurisdictions.

We have appointed Ms. Yu Qing, the secretary of the Board, as our company secretary. Ms. Yu Qing joined the Company in 2009 and has more than six years of experience in a reinsurance company with a sound understanding of the operations of the Board and the Company. However, she does not possess the specified qualification required by Rule 3.28 of the Listing Rules. Given the importance of the company secretary's role in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Ms. Yu Qing will, in addition to the minimum requirement under Rule 3.29 of the Listing Rules, use her best efforts to attend relevant training courses, including briefings on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organised by the Hong Kong legal advisers to the Company and seminars organised by the Hong Kong Stock Exchange for PRC issuers from time to time.
- A joint company secretary who meets the requirement under Note 1 to Rule 3.28 of the Listing Rules will work closely with Ms. Yu Qing to jointly discharge the duties of a company secretary for an initial period of three years commencing from the Listing Date so as to enable Ms. Yu Qing to acquire the relevant experience to discharge the duties and responsibilities as a company secretary (as required under Note 2 to Rule 3.28 of the Listing Rules). We have appointed Ms. Yung Mei Yee as the joint company secretary with effect from the Listing Date.

- Upon the expiry of three years after the Listing Date, we will re-assess the qualifications and experience of Ms. Yu Qing. Ms. Yu Qing is expected to be able to demonstrate to the Hong Kong Stock Exchange's satisfaction that she, having had the benefit of the joint company secretary's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and that the above joint company secretaries arrangement would no longer be necessary.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer's total issued share capital must at all times be held by the public. We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of 15% of our total issued share capital. The above discretion is subject to the condition that we comply with the disclosure requirements under Rule 8.08(1)(d) of the Listing Rules. Our Company's minimum public float will be the highest of (a) 15% of the total issued share capital of the Company; (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-Allotment Option is not exercised); or (c) such percentage of H Share to be held by the public after the exercise of the Over-Allotment Option, of the enlarged issued share capital of the Company. We will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of the public float in our successive annual reports after the Listing.

CLAWBACK MECHANISM

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following closing of the application lists as further described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation".

ALLOCATION OF H SHARES TO CORNERSTONE INVESTORS AND PLACEES WHO ARE CONNECTED WITH CENTRAL HUIJIN AND MOF

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled.

Paragraph 5(2) of Appendix 6 to the Listing Rules ("Appendix 6") provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates (as such term is defined in the Listing Rules), whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Paragraph 5(1) of Appendix 6 states that without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(3) and 13(7) of Appendix 6 states that "connected clients" in relation to an exchange participant means any person who is a substantial shareholder of the exchange participant and any client who is a company which is a member of the same group of companies as such exchange participant, respectively.

We have applied for and the Hong Kong Stock Exchange has granted (1) a waiver from strict compliance from the requirements of Rule 10.04 of the Listing Rules, and (2) consents under Paragraphs 5(1) and 5(2) of Appendix 6 to permit Great Wall Pan Asia International Investment Co., Limited, The People's Insurance Company (Group) of China Limited, China Life Insurance Company Limited and China Development Bank International Holdings Limited (as cornerstone investors) (the "Connected Cornerstones") and other placees who are close associates of Central Huijin and MOF (the "Close Associates") to be allocated H Shares in the Global Offering on the following grounds:

(a) Pursuant to Rule 14A.10 of the Listing Rules, the Hong Kong Stock Exchange will not treat a PRC Governmental Body as our connected person and they will be treated in the same light in the application of Rule 10.04.

(b) Central Huijin and MOF do not have direct participation and influence over the allocation process.

(c) The Close Associates operate independently of Central Huijin and MOF. Central Huijin and MOF do not engage in any commercial operations of their Close Associates, and the Close Associates have independent decision making procedures in place regarding their investment and management. The investment decision made by the Close Associates had been arrived at independently of Central Huijin or MOF.

(d) The Close Associates have no access to material non-public information regarding the Global Offering and no influence over the allocation process.

(e) The H Shares will be issued and allocated to the Connected Cornerstones as cornerstone investors; and (ii) the other Close Associates as placees in the International Offering on a non-preferential basis in the normal booking building process of the Global Offering.

(f) The Connected Cornerstones have subscribed for H Shares at the same price and on substantially the same subscription term as other cornerstone investors. It is subject to a lock up period.

(g) Central Huijin and MOF exercise no influence over the Close Associates. The close associates of Central Huijin and MOF who are joint bookrunners and/or joint lead managers of the Global Offering ("Connected Underwriters") exercise no influence over the Close Associates and the Close Associates exercise no influence over the Connected Underwriters, in each case, by virtue of their shareholding relationships with Central Huijin and/or MOF.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain investors (the "Cornerstone Investors", each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of approximately US$1,120 million (the "Cornerstone Placing"). Assuming an Offer Price of HK$2.25 (being the low end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,857,728,000, representing approximately (i) 8.96% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 9.15% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,499,941,000, representing approximately (i) 8.13% of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 8.30% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70 (being the high end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,214,767,000, representing approximately (i) 7.47% of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 7.62% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The table below sets out the total number of H Shares the Cornerstone Investors would subscribe for in aggregate and the respective approximate percentages it represents of (i) the International Offer Shares; (ii) the Offer Shares; (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iv) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full):

	Total number of H Shares to be subscribed for by the Cornerstone Investors (rounded down to the nearest whole board lot of 1,000 Shares)	Approximate percentages of the International Offer Shares	Approximate percentages of the Offer Shares	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)
Assuming an Offer Price of HK$2.25 (being the low end of the indicative Offer Price range stated in this prospectus).	3,857,728,000	70.38%	66.86%	9.15%	8.96%
Assuming an Offer Price of HK$2.48 (being the mid-point of the indicative Offer Price range stated in this prospectus).	3,499,941,000	63.85%	60.66%	8.30%	8.13%
Assuming an Offer Price of HK$2.70 (being the high end of the indicative Offer Price range stated in this prospectus).	3,214,767,000	58.65%	55.72%	7.62%	7.47%

Each of the Cornerstone Investors is an independent third party, not our connected person, and not an existing Shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 23 October 2015.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. Upon completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become our substantial shareholder. The Cornerstone Investors do not have any preferential rights under the respective cornerstone investment agreements compared with other public Shareholders. The number of Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering".

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about each of the Cornerstone Investors set forth below has been provided by that Cornerstone Investor in connection with the Cornerstone Placing:

Great Wall Pan Asia International Investment Co., Ltd.

Great Wall Pan Asia International Investment Co., Ltd. ("Great Wall International") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$150 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Great Wall International would subscribe for would be 516,660,000, representing approximately 1.22% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Great Wall International would subscribe for would be 468,743,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Great Wall International would subscribe for would be 430,550,000, representing approximately 1.02% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Great Wall International is a wholly-owned subsidiary of China Great Wall Asset Management Corporation ("Great Wall") in Hong Kong. Subsidiaries of Great Wall International are licensed in Hong Kong to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and primarily engage in financial and industrial investment across asset management, fixed income investment, securities investment, acquisition of distressed assets, merger and acquisition, and restructuring. Great Wall, the parent company of Great Wall International, is a wholly state-owned financial enterprise pursuant to the approval of the State Council, with the MOF being its sole shareholder.

State Grid Yingda International Holdings Corporation Ltd

State Grid Yingda International Holdings Corporation Ltd ("State Grid Yingda") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$150 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that State Grid Yingda would subscribe for would be 516,660,000, representing approximately 1.22% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that State Grid Yingda would subscribe for would be 468,743,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that State Grid Yingda would subscribe for would be 430,550,000, representing approximately 1.02% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

State Grid Yingda was established on 20 December 2010, renamed from the then State Grid Asset Management Company Ltd. It is a wholly-owned subsidiary of State Grid Corporation of China. Its businesses include the provision of investment and asset management services, asset custodial services, services for corporate restructuring, mergers and acquisitions and strategic placement, investment consulting service and investment advisory service.

China Development Bank International Holdings Limited and Zhuhai Hengqin Guokai Jin Yuan Investment L.P.

China Development Bank International Holdings Limited ("CDB International") and Zhuhai Hengqin Guokai Jin Yuan Investment L.P. ("Zhuhai Hengqin GKJY") (through Essence Securities — Shangxin QDII 2015-06 Designated Assets Management Plan (安信証券-上信QDII2015-06號定向資產管理計劃)) have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$110 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CDB International and Zhuhai Hengqin GKJY would subscribe for would be 275,552,000 and 103,332,000, respectively, representing approximately 0.65% and 0.24%, respectively of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CDB International and

Zhuhai Hengqin GKJY would subscribe for would be 249,996,000 and 93,748,000, respectively, representing approximately 0.59% and 0.22%, respectively of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CDB International and Zhuhai Hengqin GKJY would subscribe for would be 229,626,000 and 86,110,000, respectively, representing approximately 0.54% and 0.20%, respectively of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CDB International is a wholly-owned subsidiary and the overseas strategic investment platform of China Development Bank Corporation ("CDB"). It mainly engages in equity investment and asset management business. As at 31 December 2014, CDB had a total asset of more than RMB10 trillion.

Zhuhai Hengqin GKJY is an asset management company managed and controlled by Guo Kai Jin Tai Capital Co., Ltd. ("GKJT Capital"). GKJT Capital is incorporated in Air CBD in Shunyi District of Beijing and is a subsidiary of China Development Bank Capital Corporation Ltd (國開金融有限責任公司) ("CDB Capital"). It is principally engaged with investing the fast-developing industries which conform to the direction of industry strategic transformation of China like environmental protection, clean energy, advanced manufacturing and medical services. GKJT Capital is focusing on strategic investments with maximizing synergies for portfolio companies whose principal activities include pre-IPO, buyout fund, venture capital investment in emerging industry and overseas mergers and acquisitions.

CGN Investment (HK) Co., Limited

CGN Investment (HK) Co., Limited ("CGN Investment") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CGN Investment would subscribe for would be 344,440,000, representing approximately 0.82% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CGN Investment would subscribe for would be 312,495,000, representing approximately 0.74% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that CGN Investment would subscribe for would be 287,033,000, representing approximately 0.68% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CGN Investment is a company incorporated in Hong Kong, which is wholly owned and controlled by China General Nuclear Power Corporation ("CGNPC"). CGN Investment's principal activity includes capital markets investments. CGNPC is a leading global clean energy corporation. Its principal business activities include provision of: (i) clean power products, (ii) clean energy industry-related industrial products, (iii) clean energy industry-related professional services and (iv) other new energy products and related services. CGNPC has three subsidiaries listed on the Hong Kong Stock Exchange, namely, CGN Power Co., Ltd. (stock code: 1816), CGN Mining Company Limited (stock code: 1164) and CGN Meiya Power Holdings Co., Ltd. (stock code: 1811).

Zhongxinjian Merchant Equity Investment Co., Ltd.

Zhongxinjian Merchant Equity Investment Co., Ltd. (中新建招商股權投資有限公司) ("Zhongxinjian") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongxinjian would subscribe for would be 344,440,000, representing approximately 0.82% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongxinjian would subscribe for would be 312,495,000, representing approximately 0.74% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongxinjian would subscribe for would be 287,033,000, representing approximately 0.68% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Zhongxinjian was incorporated in the PRC in November 2011. Its majority shareholders is Xinjiang Production and Construction Equity Investment Co., Ltd. (新疆生產建設兵團投資有限公司). Zhongxinjian specialises in alternative private equity investment, such as investment in business restructuring and consolidation, spin-off of non-core business and secondary investment in private equity. It focuses on four sectors, which are agriculture and consumables, financial institutions, clean energy and health care.

Three Gorges Finance (HK) Limited

Three Gorges Finance (HK) Limited ("Three Gorges Finance HK") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Three Gorges Finance HK would subscribe for would be 344,440,000, representing approximately 0.82% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Three Gorges Finance HK would subscribe for would be 312,495,000, representing approximately 0.74% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Three Gorges Finance HK would subscribe for would be 287,033,000, representing approximately 0.68% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Three Gorges Finance HK is a company incorporated in Hong Kong. Its businesses include providing services related to offshore capital management and international fund raising and financing to the China Three Gorges Corporation (中國長江三峽集團公司) ("CTGC").

Three Gorges Finance HK is a wholly-owned subsidiary of CTGC, a large state-owned enterprise. The principal businesses of CTGC include the construction, operation and management of the Three Gorges Project; development of water resources in the midstream and upstream of Yangtze River; water resources and hydropower technology services; sales of materials and equipment for water resources and hydropower projects (except stipulated for by special franchise of the state), and consulting services etc., for the above-mentioned businesses; operation or agency of export for products produced by affiliates of CTGC (except for 16 kinds of export goods centrally operated by state organisations); operation or agency of import for equipments and materials required for production of CTGC and its affiliates (except for 12 kinds of import goods designated by the state to be operated by the company); and operation or agency of business of import and export of technology.

Beijing Infrastructure Investment (Hong Kong) Limited

Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$80 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 275,552,000, representing approximately 0.65% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 249,996,000, representing approximately 0.59% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 229,626,000, representing approximately 0.54% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

BII HK is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Beijing Infrastructure Investment Co., Ltd. ("BII"). BII is a state-owned company solely funded by Beijing State-owned Assets Supervision and Administration Commission. BII engages in the pre-planning, investment, financing, capital management and development of infrastructure projects, such as urban rail transit projects in Beijing.

The People's Insurance Company (Group) of China Limited

The People's Insurance Company (Group) of China Limited ("PICC") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that PICC would subscribe for would be 172,220,000, representing approximately 0.41% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that PICC would subscribe for would be 156,247,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that PICC would subscribe for would be 143,516,000, representing approximately 0.34% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Founded in October 1949, PICC is the first nation-wide insurance company in the PRC, ranking 174th on the Fortune Global 500 in 2015. PICC offers a broad range of insurance products and services to individual and institutional customers through a nationwide distribution and service network. As at 30 June 2015, its total assets amounted to RMB872,118 million. PICC is listed on the Hong Kong Stock Exchange (stock code: 1339) and is a customer of the Company.

China Life Insurance Company Limited

China Life Insurance Company Limited ("China Life") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 172,220,000, representing approximately 0.41% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 156,247,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 143,516,000, representing approximately 0.34% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

China Life, a PRC life insurance company, is listed on the Hong Kong Stock Exchange (stock code: 2628). It has its headquarters in Beijing and a registered capital of RMB28,265 million. As at 30 June 2015, its total assets amounted to RMB2,379,555 million. Its ultimate controlling shareholder is China Life Insurance (Group) Company. China Life is a customer of the Company.

Zhongchuan Investment & Development Co., Ltd (中船投資發展有限公司)

Zhongchuan Investment & Development Co., Ltd ("Zhongchuan Investment") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan Investment would subscribe for would be 172,220,000, representing approximately 0.41% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan Investment would subscribe for would be 156,247,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan Investment would subscribe for would be 143,516,000, representing approximately 0.34% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Zhongchuan Investment is a wholly-owned subsidiary of China State Shipbuilding Corporation (中國船舶工業集團公司), with its place of registration in Beijing. Its registered capital amounted to RMB5.7 billion in aggregate as at the Latest Practicable Date. China State Shipbuilding Industry Corporation is a large state-owned enterprise directly under the management of the central government of the PRC, comprising a group of China's powerful key enterprises specialised in building and repairing of marine equipment. As an overseas investment platform of its group company, Zhongchuan Investment mainly engages in high-tech industry, industrial investment, investment management, asset management, domestic trade, and advisory services for the aforesaid businesses.

Value Partners Hong Kong Limited

Value Partners Hong Kong Limited ("VPHK") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that VPHK would subscribe for would be 172,220,000, representing approximately 0.41% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that VPHK would subscribe for would be 156,247,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that VPHK would subscribe for would be 143,516,000, representing approximately 0.34% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

VPHK is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 806). VPHK (together with other subsidiaries under Value Partners Group Limited, "Value Partners") was established in 1999. It acts as investment manager or investment adviser to certain investment funds. Value Partners is headquartered in Hong Kong.

Yi Fang Da Elite Inv. Limited

Yi Fang Da Elite Inv. Limited ("YFD Elite") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that YFD Elite would subscribe for would be 172,220,000, representing approximately 0.41% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that YFD Elite would subscribe for would be 156,247,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that YFD Elite would subscribe for would be 143,516,000, representing approximately 0.34% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

YFD Elite is an investment company incorporated in the British Virgin Islands. It is wholly owned by E Fund Management (Hong Kong) Co., Limited ("E Fund HK"). E Fund HK was incorporated in Hong Kong in August 2008. E Fund HK is licensed for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. As a premier global business platform for its parent company, E Fund Management Co., Limited, E Fund HK strategically connects China and the overseas market. E Fund HK capitalises the investment and research capabilities of E Fund and its competitive advantage in the overseas market to provide comprehensive quality service to its clients.

Dongfeng Asset Management Co. Ltd.

Dongfeng Asset Management Co. Ltd. ("Dongfeng Asset Management") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Dongfeng Asset Management would subscribe for would be 103,332,000, representing approximately 0.24% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Dongfeng Asset Management would subscribe for would be 93,748,000, representing approximately 0.22% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Dongfeng Asset Management would subscribe for would be 86,110,000, representing approximately 0.20% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Dongfeng Asset Management is a company incorporated in the PRC whose businesses include asset management, industrial investment, venture capital investment, investment management and consultancy, land and real estate development, international economic and technological cooperation, and related technical consulting, technical services, information services and after-sales services. Dongfeng Asset Management is a wholly-owned subsidiary of Dongfeng Motor Corporation, a large state-owned enterprise engaged in the manufacturing of commercial vehicles, passenger vehicles, auto parts, components and equipment as well as other auto-related business.

The Prudential Insurance Company of America

The Prudential Insurance Company of America ("Prudential") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$30 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Prudential would subscribe for would be 103,332,000, representing approximately 0.24% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Prudential would subscribe for would be 93,748,000, representing approximately 0.22% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Prudential would subscribe for would be 86,110,000, representing approximately 0.20% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Prudential is incorporated in the State of New Jersey, United States. Its ultimate controlling shareholder is Prudential Financial, Inc. Prudential is a life insurance company. Its principal businesses are offering non-participating individual life insurance, annuities, group insurance and retirement services.

Estate Summer Limited

Estate Summer Limited ("Estate Summer") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$20 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.25, being the low end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Estate Summer would subscribe for would be 68,888,000, representing approximately 0.16% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.48, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Estate Summer would subscribe for would be 62,499,000, representing approximately 0.15% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.70, being the high end of the indicative Offer Price range set out in this prospectus, the total number of H Shares that Estate Summer would subscribe for would be 57,406,000, representing approximately 0.14% of the Shares in issue immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Estate Summer is a limited liability company incorporated in British Virgin Islands. It is a personal investment holding company wholly owned by Ms. Ho Chiu King Pansy, who is also an investor in other businesses such as shipping and gaming in Hong Kong and Macau. The principal business of Estate Summer is investment and investment holding.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting or purchase agreements; and

(2) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval not having been revoked.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and other parties to the relevant cornerstone investment agreement, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (or any interest in any company or entity holding any H Shares), or agree or contract to or publicly announce any intention to enter into any such transaction, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor (provided that, among other things, such wholly-owned subsidiary undertakes in writing to be, and such Cornerstone Investor undertakes in writing prior to such transfer to procure such subsidiary to be, bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement).

You should read the discussion and analysis of our results of operations and financial condition set forth below in conjunction with "Appendix I — Accountants' Report" prepared in accordance with IFRS, together with the accompanying notes. The financial data contained in this section is prepared in accordance with IFRS, except for the solvency margin ratio, which is calculated in accordance with the applicable CIRC guidelines and based on the PRC GAAP. The following discussion contains forward-looking statements that involve risks and uncertainties, which may differ from our actual results as a result of a number of factors set forth in the sections headed "Forward-looking Statements" and "Risk Factors" in this prospectus.

OVERVIEW

General

We are currently the only domestic reinsurance group in the PRC. We were also Asia's largest and the world's eighth largest reinsurance group in terms of reinsurance premium income in 2014, according to A.M. Best. We originated from The People's Insurance Company of China, the first insurance company in the PRC founded in 1949. As the only domestic reinsurance group in the PRC, we have played an active role in the development of the country's insurance industry by leading and expanding its reinsurance market and promoting sound and rapid development of its primary insurance market. We have maintained a leading position in the PRC reinsurance market since our formation, and we have established a strong client base with long-term business relationships with an overwhelming majority of domestic insurance companies.

During the Track Record Period, our total assets increased from RMB148,029 million as at 31 December 2012 to RMB189,675 million as at 31 December 2014, representing a CAGR of 13.2%; our GWPs increased from RMB59,299 million in 2012 to RMB73,753 million in 2014, representing a CAGR of 11.5%; and our profit attributable to equity shareholders of our Company increased from RMB2,262 million in 2012 to RMB5,404 million in 2014, representing a CAGR of 54.6%. As at 30 June 2015, we had total assets of RMB230,794 million. For the six months ended 30 June 2015, our GWPs and profit attributable to equity shareholders of our Company were RMB43,048 million and RMB6,578 million, respectively.

Principal Operating Segments

We have four principal operating segments, consisting of P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management. We report our results of operations in respect of these four operating segments.

- ***P&C reinsurance.*** Our P&C reinsurance segment consists of the P&C reinsurance business operated by us through China Re P&C, our Group Company and China Re UK in the PRC and overseas. A majority of our P&C reinsurance business is generated by China Re P&C. In 2012, 2013, 2014 and the six months ended 30 June 2015, the GWPs derived from our P&C reinsurance segment (before inter-segment eliminations) were RMB26,210 million, RMB30,086 million, RMB31,135 million and RMB14,813 million, respectively, representing 44.2%, 44.7%, 42.2% and 34.4%, respectively, of our GWPs during the same periods.

- ***Life and health reinsurance.*** Our life and health reinsurance segment consists of the life and health reinsurance business operated by us through China Re Life and our Group Company in the PRC and overseas. A majority of our life and health reinsurance business is generated by China Re Life. In 2012, 2013, 2014 and the six months ended 30 June 2015, the GWPs derived from our life and health reinsurance segment (before inter-segment eliminations) were RMB16,057 million, RMB18,394 million, RMB21,081 million and RMB15,543 million, respectively, representing 27.1%, 27.3%, 28.6% and 36.1%, respectively, of our GWPs during the same periods.

- ***Primary P&C insurance.*** Our primary P&C insurance segment represents the P&C insurance business operated by us through China Continent Insurance in the PRC. In 2012, 2013, 2014 and the six months ended 30 June 2015, the GWPs derived from our primary P&C insurance segment (before inter-segment eliminations) were RMB17,940 million, RMB19,909 million, RMB22,459 million and RMB13,291 million, respectively, representing 30.3%, 29.5%, 30.5% and 30.9%, respectively, of our GWPs during the same periods.

- ***Asset management.*** Our asset management segment represents the asset management business operated by us through China Re AMC, which manages our Group's investment assets and assets of third parties. The income derived from our asset management segment primarily consists of asset management fees received by China Re AMC. In 2012, 2013, 2014 and the six months ended 30 June 2015, the income derived from our asset management segment (before inter-segment eliminations) was RMB111 million, RMB184 million, RMB299 million and RMB137 million, respectively.

In addition to the four principal operating segments, we generate income from the "others" segment, which, before inter-segment eliminations, amounted to RMB1,012 million, RMB1,615 million, RMB1,566 million and RMB1,055 million in 2012, 2013, 2014 and the six months ended 30 June 2015, respectively.

EXTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are affected by a number of external factors, primarily including:

- China's macroeconomic conditions and national policies;

- regulatory environment;

- development of the PRC primary insurance market;

- demand for reinsurance and competition;

- cyclical fluctuations in the insurance and reinsurance industries and events resulting in major claims; and

- investment environment and capital markets conditions.

China's Macroeconomic Conditions and National Policies

As a multi-line reinsurance group with a leading position in the PRC reinsurance market, we conduct most of our businesses in the PRC. During the Track Record Period, we generated the majority of our income from the PRC. As such, our results of operations, financial condition and prospects are significantly affected by China's macroeconomic conditions and national policies.

China has achieved significant economic development over the past few decades and has grown into one of the world's largest economies. In recent years, China's economy has gradually shifted from rapid to stable growth with moderately high growth rates, thereby entering a "new normal" phase of development. The current GDP growth target set by the PRC Government is approximately 7% per annum, still higher than the economic growth rates of most economies in the world. Benefiting from the continued development of China's economy, economic indicators in areas such as fixed asset investment, import and export volume, freight volume as well as number and asset size of enterprises have increased in recent years. Driven by agricultural industrialisation and continuous technological improvement, the pace of transition from traditional agriculture to modern agriculture in China has also accelerated. Moreover, the continued rise in household income and the accumulation of household wealth in China have spurred greater levels of consumption. These macroeconomic factors are expected to continuously increase the demand of China's enterprises and residents for various types of insurance products and drive further development of the reinsurance sector. In addition, significant demographic changes in the PRC, including an increase in life expectancy, an aging population and growth in the urban population have led to an increasing number of PRC residents willing to buy protection-type insurance products and to invest in pension funds or retirement plans. These trends are expected to increase the demand for life insurance, health insurance, pension and other insurance products, thereby enhancing the demand for reinsurance on these product lines.

At the "new normal" phase of the Chinese economy, the PRC Government plans to continuously optimise and upgrade the economic structure and vigorously promote a multi-layer financial system. The importance of the insurance industry in China's financial system is expected to be further enhanced. In August 2014, the PRC Government issued the New Ten Guidelines, which designated the development of the insurance industry as a national strategy for the first time and specified China's strategic goal of vigorously developing a modernised insurance industry. According to the New Ten Guidelines, insurance will play an important role in a number of fields, including the social security system, the social governance system, the economic development of the agricultural sector and the disaster and accident prevention and relief system. As such, the PRC insurance industry is expected to embrace a new round of development opportunities. Insurance products, such as those with protection features including pension and health, liability, agricultural and catastrophe insurance, are expected to have significant potential for growth.

- *Involvement of insurance in the social security system.* The New Ten Guidelines aim to develop commercial insurance into an important pillar for the social security system, support insurance companies to actively develop enterprise annuity, pension and commercial health insurance products and promote the integrated development of the insurance industry with the elderly care industry and the healthcare industry. The PRC Government is currently pushing forward pilot programmes on commercial health insurance products with preferential tax treatment to promote the development of the health insurance market.

- *Participation of insurance in the social governance system.* The New Ten Guidelines are expected to promote the development of liability insurance, with a focus on environmental pollution, food safety, medical liability, medical accidents and other fields closely related to public interests.

- *Insurance's support to the economic development of the agricultural sector.* The PRC Government plans to actively develop agricultural insurance in order to support the economic development of the agricultural sector. Specific measures include expanding the coverage of agricultural insurance, exploring innovative products and services, and improving the agricultural insurance service system.

- *Involvement of insurance in the disaster and accident prevention and relief system.* In line with the increased awareness of domestic enterprises and residents for the need to prevent the risks associated with disasters and accidents, the New Ten Guidelines encourage the development of diversified P&C insurance products in order to strengthen the public's ability to mitigate risks, and promote the establishment of a catastrophe insurance mechanism.

The New Ten Guidelines are also intended to accelerate the development of the reinsurance industry. Specific initiatives include increasing the number of participants in the reinsurance industry, enhancing innovation in reinsurance products and techniques, increasing the reinsurance coverage for major risks and special risks in industries such as agriculture, transportation, energy, aeronautics and astronautics and nuclear power, strengthening the ability of reinsurance to diversify the risks of natural catastrophes, improving the functions of reinsurance to support and protect Chinese enterprises located overseas and enhancing China's pricing and bargaining power in the global reinsurance market. With the support of these policies, the PRC reinsurance market is expected to have significant growth potential.

In addition, the PRC Government has been implementing its strategic blueprint of the "Belt and Road Initiative" and playing a leading role in the recent establishment of the Asian Infrastructure Investment Bank, in order to promote the construction and development in countries and regions covered by such blueprint. The outbound capital investment from China for the purpose of this strategy is expected to not only stimulate direct investments from insurance funds but also lead to the emergence of new insurance products and services, so as to meet the needs of the PRC enterprises that "Go Global" (走出去) and the relevant infrastructure construction projects. Such new development is expected to have a positive impact on many of our businesses, including reinsurance, primary insurance and asset management.

Furthermore, in recent years, as the internationalisation of the RMB has accelerated, certain regions such as Hong Kong have gradually emerged as offshore RMB centres, and life and health insurance products denominated in RMB are popular in such markets. Our cross-border RMB reinsurance business caters to the demand for reinsurance of those offshore RMB-denominated insurance products and has experienced rapid growth. The continued internationalisation of the RMB and development of emerging offshore RMB centres are expected to further drive the growth of the offshore RMB insurance market in the future and create new opportunities for our cross-border RMB reinsurance business. However, our cross-border RMB reinsurance business would also be affected by RMB exchange rates and differences between interest rates in the PRC and overseas markets. Any changes in the RMB exchange rates may affect the demand for primary insurance products denominated in RMB and customer expectations with respect to the yields of insurance products, thereby affecting the size and profitability of our cross-border RMB reinsurance business. Differences between interest rates in the PRC and overseas markets may also impact the interest rate spreads of our cross-border RMB reinsurance business.

Regulatory Environment

Our business operations, which are primarily in China, are strictly regulated. For details, please refer to the section headed "Supervision and Regulation" in this prospectus. Some of the regulatory factors that may materially impact our results of operations and financial condition are set forth below:

- *Solvency margin.* We must satisfy the solvency margin requirements under applicable PRC laws and the regulations of the CIRC. If we or any of our subsidiaries fail to meet the relevant requirements, the CIRC may take a series of regulatory actions against us. In particular, the C-ROSS regime came into trial operation in 2015 and, in the future, we will be required to comply with the relevant requirements of the C-ROSS regime in managing our capital. For details, please refer to the section headed "Supervision and Regulation — PRC Regulatory Overview — Solvency Management."

- *Investment channels.* In recent years, the CIRC promulgated a series of new regulations with respect to the deployment of insurance funds to further expand the scope of permissible investments for insurance funds (including reinsurance funds), and supervise the deployment of insurance funds by asset class. Currently, insurance funds can be invested in bonds, domestic and overseas stocks, preferred shares, real estate, insurance asset management products, infrastructure debt and equity schemes, collective trust schemes, wealth management products issued by banks, financial derivatives, private equity funds, venture capital funds and others. These new regulations have further expanded the variety and the scope of investments for domestic insurance companies (including reinsurance companies) and provided greater flexibility with respect to asset allocation, thereby creating favourable conditions for us to effectively conduct asset-liability management and improve our investment yield. For details, please refer to the section headed "Supervision and Regulation — PRC Regulatory Overview — Deployment of Insurance Funds."

- *Market-oriented reforms with respect to premium rates.* The CIRC is promoting the establishment of a market-oriented mechanism for premium rates, including reforms in respect of premium rates of life and health insurance products and a pilot programme to reform the terms and conditions and premium rates of commercial motor insurance. These market-oriented reforms are expected to impact the primary insurance industry and our business. In addition, the terms and conditions and the premium rates of primary insurance products in China currently need to be filed with or approved by the CIRC. In light of the PRC Government's support for insurance companies to innovate insurance products and expand the scope of insurance services, the regulations on insurance products in China may be gradually relaxed in the future.

- *Requirements on reinsurers.* According to the CIRC regulations, reinsurers must satisfy a number of requirements, including financial strength ratings, capital requirements and solvency margin requirements. For details, please refer to the section headed "Supervision and Regulation — PRC Regulatory Overview — Reinsurance Business."

Development of the PRC Primary Insurance Market

China's insurance market has been growing fast in recent years and become one of the largest insurance markets worldwide. It is also one of the fastest growing insurance markets in the world. According to the Sigma Report 2015, China's insurance market was the second largest in Asia and the fourth largest worldwide in terms of total premiums in 2014. According to the data published by the CIRC, the total Original Premium Income in the PRC was approximately RMB2,023 billion in 2014, representing a CAGR of approximately 12.2% from 2011 to 2014.

Although China's insurance market is sizeable, we believe that it has significant growth potential. According to the Sigma Report 2015, in 2014, China's insurance density was only US$235 per capita, ranking 57th in the world, and China's insurance penetration was only 3.2%, ranking 44th in the world. We expect that China's insurance density and penetration will continue to increase and that the total premiums in China's insurance market will grow further. Under the New Ten Guidelines, the PRC Government has set a target insurance penetration of 5% and a target insurance density of RMB3,500 (or approximately US$550) per capita by 2020 for the PRC insurance industry. We believe that the premiums in China's primary insurance market will continue to grow rapidly, which should lay a solid foundation for the development of the reinsurance market.

Along with the development of China's insurance industry and driven by the insurance industry policies, the innovations in insurance products have been enhanced, and the product mix in the PRC insurance industry has become increasingly diversified. P&C insurance products, such as credit, liability, catastrophe and specialty insurance, are undergoing further development, and protection-type life and health insurance products have also increased. Pilot schemes for health insurance products with preferential tax treatment have commenced. Technological advancements such as Internet and "big data" have also driven the emergence and development of new insurance products. In addition, the increasing awareness of households for the need to take precautions against natural catastrophes has also led to a greater demand for earthquake and other catastrophe-related insurance. Product innovation in the primary insurance industry is conducive to increases in our premiums, and the greater diversification of the product portfolio in the primary insurance industry should also bring growth opportunities to our reinsurance business.

In addition to growth in premiums and diversification of the product portfolio, the number of market players in the PRC insurance market has also increased. Certain captive insurance companies have recently also been, or been approved to be, established. While new market players may intensify competition in the PRC primary insurance market, they will also need support from reinsurance companies given that they may not have sufficient expertise and experience, bringing opportunities to our reinsurance business.

Moreover, diversification of primary insurance sales channels will also affect our primary insurance business. Traditional primary insurance sales channels primarily include in-house sales force, individual agents, professional and ancillary insurance agencies and insurance brokers. In recent years, telesales and online sales have expanded rapidly, and primary insurance companies have promoted mutual agency and cross-selling with strategic partners. The CIRC has also encouraged the development of Internet insurance business, relaxed the restrictions on the sale of Internet insurance products and approved the establishment of several Internet insurance companies. Benefiting from the continuous expansion of sales channels in the primary insurance market, we are able to develop diversified channels to generate premiums for our primary insurance business. However, we also expect competition in the PRC primary insurance market to become more intense, which will pose challenges to our primary insurance business.

Demand for Reinsurance and Competition

We believe that demand for reinsurance from PRC insurers will continue to increase, creating favourable market conditions for us to expand our business and improve our profitability. On the one hand, primary insurance companies are expected to cede more premiums to reinsurers, along with the continuous growth of China's primary insurance market. On the other hand, with the further development of the PRC insurance industry, the functions of reinsurance will be further enhanced, and demand for reinsurance by primary insurance companies is expected to further increase:

- *Risk management function of reinsurance.* Primary insurance companies are exposed to accumulated insurance risks, particularly with respect to new or major and complicated insurance risks, such as catastrophe risk and liability risk. Under these circumstances, they tend to seek reinsurance in order to transfer or diversify risks due to their lack of data and expertise.

- *Expertise transfer function of reinsurance.* In general, reinsurance companies have advantages in data, risk identification and prevention, and pricing. Primary insurance companies may need to leverage reinsurance companies' expertise to develop and price some new products. Reinsurance companies can also provide assistance to primary insurance companies in areas that require more technical expertise, such as high-end medical, critical illness, and credit and surety insurance, and in turn reinsurance companies can benefit from the business opportunities arising from these areas.

- *Capital relief function of reinsurance.* With the increase in their business scale, primary insurance companies will face solvency pressure and may choose to cede premiums to reinsurance companies so as to relieve capital pressure. The C-ROSS regime imposes new requirements for insurance companies' solvency management, and the capital relief function of reinsurance is expected to further develop accordingly.

The demand for reinsurance by PRC insurance companies will be affected by industry policies. The implementation of the C-ROSS regime is expected to result in changes in the primary insurance industry's product mix, mix of the premiums ceded to reinsurers and specific requirements for certain reinsurance products. In respect of product mix, the proportion of products such as protection-type life and health insurance, which have more reinsurance demand as compared to products with investment features, is expected to increase gradually. In respect of mix of the premiums ceded to reinsurers, under the C-ROSS regime, reinsurance demand of insurance products with lower risk capital cost, such as motor insurance, may decline, while reinsurance demand of insurance products with higher risk capital cost, such as commercial property, credit and agricultural insurance, may rise. In addition, in order to help insurance companies to cope with new capital requirements under the C-ROSS regime, reinsurance companies will need to design new financial reinsurance products to satisfy the demands of insurance companies. These changes may impact the size of our premiums, our premium mix and our profitability in the future.

In respect of the competitive landscape, we expect that competition in the reinsurance market may become more intense as a result of certain policies:

- The New Ten Guidelines encourage new players to participate in the reinsurance market, which may to some extent affect the competitive landscape of the reinsurance market. Some primary insurance companies intend to set up professional reinsurance subsidiaries. In addition, international reinsurance companies may further establish branches in China and allocate more resources to their business operations in China.

- The risk capital cost of insurance companies for ceding to offshore reinsurers is higher than for ceding to reinsurers in the PRC under the C-ROSS regime. As such, PRC insurance companies are expected to prefer reinsurance in the PRC, which may result in the flow back of reinsurance businesses previously carried out by offshore reinsurers.

- As the capital constraints faced by the branches of foreign reinsurance companies in the PRC will be aligned with those faced by Chinese companies under the C-ROSS regime, foreign reinsurance companies will be required to invest more capital in their branches in the PRC, or otherwise their business scale in the PRC may be limited.

- Primary insurance companies and reinsurance companies are expected to have more in-depth cooperation. As such, apart from considering credit rating and underwriting capacity, primary insurance companies will pay more attention to reinsurance companies' willingness for long-term cooperation, technical competence and risk management capabilities.

We believe that by leveraging our leading market position, strong client base, extensive domestic data and strong technical expertise, we are well positioned to gain competitive advantages over the new market players in the PRC reinsurance market and solidify and further improve our results of operations and financial condition.

Cyclical Fluctuations in the Insurance and Reinsurance Industries and Events Resulting in Major Claims

Our primary P&C insurance and reinsurance businesses in the PRC are subject to cyclical fluctuations in the primary insurance and reinsurance industries, respectively. Such cyclical fluctuations are driven by many factors, including profitability of the industry, changes in regulations and policies, emergence of new market players, investment performance and financial strength of competitors.

Our international P&C reinsurance business is subject to cyclical fluctuations in the international reinsurance market, which in turn primarily depend on the reinsurance underwriting capacity and demand for reinsurance by primary insurance companies. When the supply of reinsurance underwriting capacity is greater than the demand for reinsurance, intensified competition may lead to low prices and unfavourable policy terms and conditions for reinsurance companies. Short supply of reinsurance underwriting capacity may, however, result in prices and policy terms and conditions favourable to reinsurance companies. The underwriting capacity of the international reinsurance industry is similarly affected by various factors, such as the overall profitability of such industry (including the impact of catastrophes), changes in supervision and regulation, new participants in the market and financial ratings of reinsurers. In recent years, the rise of innovative capital instruments has impacted the international reinsurance market. Alternative capital, such as hedge funds, is able to provide protection against risks in the forms of collateralised reinsurance, catastrophe bonds and sidecars, which has further intensified competition in the international reinsurance market.

Events resulting in major claims may significantly affect the results of operations of primary insurance companies and reinsurance companies. We may incur significant claims in our primary P&C insurance business as a result of natural catastrophes, man-made disasters and accidents, whose occurrence is unpredictable, and accordingly, our results of operations may be adversely affected. If our primary insurance clients in our reinsurance business incur significant claims, we may incur significant claims in our P&C reinsurance and life and health reinsurance businesses as well. Although we have adopted rigorous underwriting policies to control these risks and used prudent actuarial techniques to establish reserves, we are not able to foresee when the events resulting in major claims may occur or predict the severity of such claims. As such, we may incur different levels of claims, depending on the frequency and severity of these catastrophes. For details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition" and the section headed "Summary — Recent Developments and No Material Adverse Changes — 2015 Tianjin Explosions."

Investment Environment and Capital Markets Conditions

Investment is an integral part of our businesses, and return on investment is also a major driver for our overall profitability. Our return on investment is affected by capital markets conditions, including the securities market conditions and interest rates.

As we primarily invest in fixed-income and equity securities in China, we are particularly exposed to fluctuations in the PRC securities market. We may benefit from the active development of the PRC securities market in terms of our investment returns. However, the PRC securities markets may be significantly affected by changes in regulations and government policies. In addition, any market fluctuation, economic downturns or other uncertainties in the PRC or overseas may aggravate the risks relating to the PRC securities market. These and other factors may from time to time result in significant price volatility, unexpected losses, investment impairments and lack of liquidity in the PRC securities market, which may in turn affect our investment returns. For details of the risks, please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our investment assets may experience sharp declines in their returns or suffer significant losses, which would have a material adverse effect on our results of operations and financial condition." For example, the PRC A-share stock market had experienced a significant surge from the second half of 2014 to mid-June 2015, which was followed by a number of substantial declines with continuous fluctuations, resulting in fluctuations in the value of our equity investment assets. If these market volatilities continue, the value of our equity investment assets may experience further fluctuations. Please refer to the section headed "Summary — Recent Developments and No Material Adverse Changes — Recent Stock Market Volatility in the PRC" for additional information.

Furthermore, our investment returns are generally affected by interest rate fluctuations, as a large portion of our investment portfolio is in fixed-income assets. When interest rates increase, we expect increases in interest income generated from fixed-income assets newly added to our investment portfolio, re-investment of investment assets reaching maturity and floating-rate assets. However, the book value of our existing fixed-income assets measured at fair value will decrease accordingly. When interest rates decline, the book value of our existing fixed-income assets measured at fair value will increase, but the interest income generated from our newly added fixed-income assets, re-investment of investment assets reaching maturity and floating-rate assets in our investment portfolio will decrease accordingly.

In line with the more diversified investment channels for insurance funds in recent years, we have gradually increased our allocation of investments in securitised financial products, such as debt investment schemes. Debt investment schemes generally have a longer term and a relatively high yield. However, such products typically have lower liquidity and are exposed to credit risks. In addition, factors such as the credibility of the relevant issuers, cash flow of the projects in which our funds are used and the financial strengths of the guarantors may also impact our investment returns in respect of securitised financial products, such as debt investment schemes.

INTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are also affected by numerous internal factors. These internal factors include (i) our ability of strategic planning and to develop new business, (ii) our ability to maintain and develop clients, (iii) our pricing and risk management capabilities, and (iv) our ability to increase investment assets and investment returns. Each of these factors is described below.

Ability of Strategic Planning and to Develop New Business

By leveraging our effective strategic planning, we endeavour to actively capture opportunities arising in the PRC insurance market and develop our business. Currently, a number of insurance products in China, including pension, commercial health, liability, catastrophe, agricultural, and credit and surety insurance have shown great potential for growth. By leveraging our advantages in domestic data, actuarial techniques and risk pricing, we have captured opportunities arising in these fields by proactively designing new products, assisting primary insurance companies in product development, and fulfilling the risk management function and the expertise transfer function of reinsurance, so as to expand the sources of our reinsurance business. We actively participate in the research and formulation of industry standards for life and health reinsurance, and promote product innovation. We have made significant progress in the development of key projects, such as critical illness, cancer, mid- and high-end medical insurance and resources integration with third-party administrators. In addition, we have participated in the establishment and management of industry platforms, such as CNIP and CARP, and we have promoted the innovation and development of catastrophe insurance and agricultural insurance in China with our expertise established in these fields. In respect of our primary P&C insurance business, we endeavour to capture key opportunities arising in the industry and focus on product differentiation, and we have actively developed new products, such as personal loan surety insurance and export credit insurance.

In addition, we have steadily expanded our international business by establishing our syndicate at Lloyd's and enhancing our international P&C reinsurance business. We have also established our market position as the major reinsurer in cross-border RMB reinsurance business by capitalising on the internationalisation of the RMB. Furthermore, by capturing the opportunities arising in Internet finance, we endeavour to actively develop new sales channels for our primary P&C insurance business. Our ability of strategic planning ability and to develop new business are significant drivers for us to further grow our premiums, diversify our business mix and improve our profitability.

Ability to Maintain and Develop Clients

Reinsurance premium income generated from our reinsurance business is affected by our ability to maintain and develop clients. By leveraging our leading market position, extensive brand recognition and strong technical expertise in the PRC reinsurance market, we have established and maintained close relationship and in-depth communications with an overwhelming majority of domestic insurance companies. We develop customers primarily through direct channels, rather than third-party brokers, which effectively reduces our cost of developing clients and enables us to collect information directly from our clients. In addition, we place great emphasis on the cultivation of relationships with our clients. We have established business relationships with most insurance companies in the PRC since their formative years and as they grew. By leveraging our strong expertise and service capabilities, we not only provide our clients with underwriting capacity and risk protection, but also maintain close communications with them in technical fields, such as actuarial pricing, risk management, and underwriting and claims management. We also cooperate with our customers in product development, so as to achieve win-win outcomes while enhancing client retention.

In respect of our primary P&C insurance business, we have established a sales network throughout China, continued expanding the coverage of existing sales channels, improved sales channel structures and developed new sales channels, such as the Internet. We have also adopted a customer management system based on customer classifications and ratings for our individual motor insurance product since 2014, which has enhanced our capabilities in differentiated pricing and risk screening. In addition, we have strengthened the management and control on, and improved efficiency of, our claims settlement in a comprehensive manner, so as to enhance customer satisfaction in claims settlement. Through these measures, we endeavour to further enhance our relationship with existing customers and continue expanding our customer base, so as to grow the premium income of our primary P&C insurance business.

Pricing and Risk Management Capabilities

Profitability of both our reinsurance and primary insurance businesses is affected by factors such as changes in premium rates and frequency and severity of claims. Reasonable and accurate pricing can effectively guide underwriting and reflect the inherent risks of the insurance business. As such, pricing capabilities are critical to underwriting profitability. When determining premium rates of our P&C reinsurance and primary P&C insurance products, we primarily take into account relevant regulations, frequency and severity of claims, loss adjustment expenses, our target rate of return and competition and pricing of similar products in the market. In respect of primary P&C insurance, we also consider marketing and promotion expenses when determining premium rates. In respect of life and health reinsurance, we consider various factors, including historical data for pricing, and adopt pricing strategies catering to different business lines. We price our reinsurance and primary insurance products and establish reserves based on multiple assumptions and estimates. The adequacy of reserves will determine if our reserves are sufficient to cover claims, hence affecting our profitability.

Apart from insurance risks, our business faces many other types of risks, such as market risk, credit risk, operational risk, strategic risk, reputational risk and liquidity risk. We have established the framework of "three lines of defence" of risk management and the enterprise risk management (ERM) system with a risk appetite system as its core at the Group level, in order to identify, evaluate and control various risks. The effective implementation of our risk management system should help maintain stability in our operating performance and help ensure adequate solvency. For details related to our risk management, please refer to the section headed "Business — Risk Management."

Ability to Increase Investment Assets and Investment Returns

Investment is an integral part of our business. Investment and underwriting are the two major sources of our profits. Our results of operations, financial condition and prospects are subject to the quality and performance of our investment portfolio. With substantial investment assets accumulated throughout the course of our insurance and reinsurance businesses, we manage such investment assets in a centralised and professional manner and continue to increase our investment assets. We adhere to the philosophy of prudence and long-term value investment and conduct strategic and tactical allocation of investment assets, in light of the nature of insurance funds and based on our principle of asset-liability matching, so as to optimise our investment portfolio and improve investment yield, while at the same time keeping risk under strict control.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, other primary statements and notes to the consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires our management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to changes, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows. For more information regarding our significant accounting policies and accounting judgment and estimates, please refer to Note 2 and Note 3 to the Accountants' Report set forth in Appendix I to this prospectus.

Contract Classification

We enter into reinsurance contracts in our reinsurance business and primary insurance contracts in our primary insurance business. Under these contracts, we accept significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary.

For contracts that contain both insurance risks and non-insurance risks, and where insurance risks and non-insurance risks can be distinguished and measured separately, we normally unbundle the insurance risks and non-insurance risks. We treat the insurance risk components as insurance contracts and other risk components as non-insurance contracts. If the insurance risk components and other risk components cannot be distinguished, or could be distinguished but not be measured separately, we treat the entire contract as an insurance contract if the insurance risk is significant or as a non-insurance contract if the insurance risk is insignificant. For contracts issued by us which require a test of the significance of insurance risk, such test is performed at the initial recognition of the contract.

For reinsurance contracts, we use the contract (or facultative insurance policy) as a basic unit for the risk significance test. If it is specified in the terms of a contract that the payment responsibility under such contract changes according to another contract's claim amount, we combine the relevant contracts for risk significance test. For primary P&C insurance contracts, we use the product as a risk significance test unit. If the test results indicate that the insurance accident specified in the contract may result in significant additional benefits paid by us, we recognise the contract as an insurance contract, except for those with no commercial substance. The additional benefits refer to the amount we pay when an accident occurs in excess of the amount we pay when an accident does not occur. A contract has no commercial substance if it has no identifiable impacts on either us or our counterparty's economic interests.

For other contracts that do not meet the definition of insurance contracts, we recognise and measure them as investment contracts according to the relevant accounting policies for financial assets or liabilities.

Insurance Contract Liabilities

Our insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves. We measure the insurance contract reserves at the end of each reporting period.

When we estimate the insurance contract reserves, in principle we combine the insurance contracts with homogeneous insurance risks as one measuring unit. We calculate the insurance contract reserves based on the expected net cash flows in the future arising from insurance contracts with consideration of the time value of money. Future cash inflows primarily include future insurance premium, future salvage and subrogation on incurred claims. Future cash outflows primarily include claims paid to the insurers, surrender payments and administration and loss adjustment expenses. For reinsurance contracts, we also take into consideration the outflows of adjustment commission and profit commission. If the effect of time value of money is significant, we discount the relative future cash flows and determine the discount rate based on the latest obtainable information at the end of the relevant period.

When we determine the reserve of insurance contracts, we consider the margin factor and measure it separately. We recognise margins over the insurance coverage period into the current profit and loss by using systematic and reasonable methods. At the inception of an insurance contract, we do not recognise any "day-one" gain, but we directly recognise any "day-one" loss in profit or loss.

In addition, we evaluate the cash flow of insurance contracts and related reinsurance contracts separately. We calculate the corresponding reserves that shall be recovered from the reinsurer and recognise the corresponding insurance reserve receivable as an asset.

Unearned Premium Reserves

We adopt the larger of the following as the unearned premium reserves for P&C, accident and short-term life and health insurance contracts:

(i) for reinsurance contracts, the result of applying 1/8 method, 1/24 method or 1/365 method on the written premiums deducted by acquisition cost; and for primary insurance contracts, the result of applying 1/365 method on the written premiums deducted by acquisition cost; and

(ii) the discounted net future cash outflow including claim payments, administration and loss adjustment expenses, and corresponding risk margin. Risk margin is determined using the 75% percentile approach and the cost of capital approach, with reference to the relevant industry benchmarks.

Claim Reserves

Claim reserves refer to the provision for incurred events of P&C, accident and short-term life and health insurance contracts insured by us as primary insurer or reinsurer, including case reserves, IBNR reserves and loss adjustment expense reserves.

- Case reserves represent the reserves for incurred insurance accidents, for which claims have been filed with us but not yet closed. As a primary insurer, we adopt a case-by-case loss estimating method and average cost per claim method to measure case reserves, based on the reasonable estimate of the ultimate settlement amount, with consideration of risk margin. As a reinsurer, we measure case reserves based on the information provided by cedants.

- IBNR reserves represent the reserves for incurred insurance events that have not yet been reported to us or with inadequate case reserves. Based on the nature and distribution of insurance risk, the pattern of historical claim development and the latest available claim data, we adopt commonly accepted actuarial reserving methods such as the chain ladder methods, average cost per claim method, frequency-severity method, Bornhuetter-Ferguson method and expected loss ratio method to measure IBNR reserves, with consideration of the time value of money and risk margin.

- Loss adjustment expense reserves represent reserves for claims related expenses, such as settlement fees, legal cost, claim-surveying cost and claim handling staff's salary. We primarily use the ratio allocation method to measure loss adjustment expense reserves.

Long-term Life and Health Insurance Contract Reserves

We measure long-term life and health insurance contract reserves on the basis of the best estimates of future payments that will be required to fulfil the contractual obligations. We also take into consideration risk margin and residual margin when we determine the reserve of life insurance contracts. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. Residual margin is the margin recognised for not recognising "day-one" gain and will be amortised over the life of the contracts.

To measure long-term life insurance contract reserves, we apply certain assumptions such as mortality rate, morbidity rate, lapse rate, expense and discount rate. In deriving these assumptions, we use the latest information available as at the balance sheet date.

Liability Adequacy Test

We perform liability adequacy tests for unearned premium reserves and reserves for long-term life insurance contracts on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, we increase the carrying amount of the reserves to the adequacy test result. For insurance policies acquired from business combination, we first write off the value of business acquired and made reserves for the deficiencies, if any.

Investment Contract Liabilities

Liabilities incurred from investment contracts are initially recognised at fair value and subsequently stated at amortised cost, unless the effect of discounting would be immaterial, in which case they are stated at cost.

Investment in Debt and Equity Securities

We make investments in debt and equity securities, which in general are initially stated at their fair value plus attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their respective classifications:

- We classify investments in securities held for trading as financial assets at fair value and recognise changes in such fair value through profit or loss, and recognise any attributable transaction costs in profit or loss as incurred. We re-measure the fair value at the end of each reporting period with any resultant gain or loss being recognised in profit or loss. Dividends or interest earned on these investments are recognised in profit or loss.

- We classify dated debt securities that we have the ability and intention to hold to maturity as held-to-maturity securities, which are stated at amortised cost less impairment losses.

- We classify debt securities that are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market as loans and receivables. Subsequent to initial recognition, debt securities classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

- We classify investments which do not fall into any of the above categories as available-for-sale securities. We re-measure the fair value at the end of each reporting period with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception, we recognise investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured in the statement of financial position at cost less impairment losses. In addition, we recognise dividend income from equity securities and interest income from debt securities calculated using the effective interest rate method in profit or loss. We also recognise foreign exchange gains and losses resulting from changes in the amortised cost of debt securities in profit or loss. We re-classify the cumulative gain or loss recognised in equity when the investments are de-recognised or impaired.

Investments are recognised or derecognised on the date when we commit to purchase or sell the investments or they expire, as the case may be.

Revenue Recognition

We recognise revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably on the following bases:

Gross Written Premiums (GWPs)

GWPs in respect of reinsurance contracts reflect business written during the relevant periods. Premiums include an estimate for premium receivable of the current period and adjustments to estimates of premiums written in previous years at period end. We estimate the gross premiums based on the information provided by the cedants, as well as the historical premium development pattern. A change of the estimation method may impact our financial position and operating results.

We recognise GWPs in respect of primary P&C insurance contracts as revenue when the amount is determined, which is generally when the risk commences.

Investment Income

We recognise interest income as it accrues, which is calculated by using the effective interest rate method and is included in the income statements. We recognise dividends when the right to receive payment is confirmed.

Impairment

Impairment of Financial Assets

We review the carrying amount of financial assets, other than those at fair value through profit or loss, at the end of the relevant periods to determine whether there is any objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial assets represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the assets, which can be estimated reliably.

We consider the following factors as objective evidence that financial assets are impaired:

- significant financial difficulty of the issuer or borrower;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- lack of an active market for financial assets due to financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument.

In particular, we determine that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost, which requires our management's judgment. When making such judgment, we mainly consider the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee.

When there is objective evidence that there may be impairment in particular premiums receivable and reinsurance debtors, we assess the degree of risk and collectability of each item. We recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of these assets. We mainly consider the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, we also collectively assess impairment for receivables and debtors. Such collective assessment is carried out for a group of receivables and debtors with similar credit risk characteristics, such as similar past due status. The degree of impairment depends on the timing and amount of future cash flows, which are estimated based on historical loss experience for receivables and debtors with credit risk characteristics similar to the collective group.

Impairment of Non-financial Assets

We review internal and external sources of information at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment;
- investment property;
- intangible assets;
- investments in subsidiaries and associates; and
- goodwill.

If any such indication exists, we will estimate the asset's recoverable amount. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, we will estimate the recoverable amount annually whether or not there is any indication of impairment.

Fair Value of Financial Instruments

We invest primarily in debt investments, equity investments, time deposits and financial assets held under resale agreements. Our significant accounting estimates and judgments regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value.

We estimate the fair value of financial instruments using the following methods and assumptions:

- *Debt investments*. Its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, we establish fair value by using valuation techniques.

- *Equity investments*. Its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- *Time deposits, debt investment schemes, trust schemes, wealth management products, financial assets held under resale agreements and securities sold under agreements to repurchase*. Their book value on the consolidated statements of financial position approximates to the fair value.

PRINCIPAL ITEMS OF THE CONSOLIDATED INCOME STATEMENTS

Gross Written Premiums

GWPs consist of (i) reinsurance premiums ceded to us in our reinsurance business, namely our P&C reinsurance and life and health reinsurance businesses; and (ii) premiums written by us on insurance contracts, primarily representing P&C insurance contracts issued or renewed for a given period in our primary insurance business, without deduction for premiums retroceded by us to retrocessionaires in our reinsurance business and premiums ceded by us to reinsurers in our primary insurance business.

Premiums Ceded to Reinsurers and Retroceded to Retrocessionaires

Premiums ceded to reinsurers represent the portion of premiums ceded to reinsurers in our primary P&C insurance business. Premiums retroceded to retrocessionaires represent the portion of premiums retroceded to retrocessionaires in our P&C reinsurance and life and health reinsurance businesses. Reinsurers and retrocessionaires share part of risks that we have assumed under our relevant contracts, as the case may be.

Net Written Premiums

Net written premiums represent GWPs net of premiums ceded to reinsurers and retroceded to retrocessionaires.

Change in Unearned Premium Reserves

Change in unearned premium reserves represents the reserves provided for the incremental net written premiums relating to the unexpired terms of insurance and reinsurance at the end of the current period, less the reserves provided for the net written premiums relating to the expired terms of insurance and reinsurance coverage at the end of the previous period and adjusted to reflect changes in evaluation methods and assumptions for unexpired insurance contract liabilities in the current period.

Net Premiums Earned

Net premiums earned represent net written premiums less change in unearned premium reserves.

Reinsurance Commission Income

Reinsurance commission income consists of commission income, which we receive from reinsurers to whom we cede premiums in our primary insurance business and from retrocessionaires to whom we retrocede premiums in our reinsurance business.

Investment Income

Investment income primarily includes (i) interest income from current and time deposits, debt securities and loans and receivables, (ii) operating lease income from investment properties, (iii) dividend income from equity securities, (iv) realised gains from debt and equity securities, (v) unrealised gains from financial assets at fair value through profit or loss and (vi) relevant impairment losses.

Exchange Gains/(Losses), net

Net exchange gains/losses represent exchange gains/losses from monetary assets and liabilities denominated in currencies other than our functional currency and exchange gains/losses arising from different exchange rates applicable to our expenses when they are recorded and when they are actually settled.

Other Income

Other income primarily includes interest income from deposits retained by cedants, fee income from insurance brokerage services, commission income arising from the tax collection of motor vehicles and vessels, management fee income, government grant, income from the disposal of property and equipment and intangible assets, guarantee fee income and miscellaneous income arising from other business activities.

Total Income

Total income represents the sum of (i) net premiums earned, (ii) reinsurance commission income, (iii) investment income, (iv) exchange gains/(losses), net and (v) other income.

Claims and Policyholders' Benefits

Claims and policyholders' benefits represent the sum of (i) claims incurred, (ii) life and health reinsurance death and other benefits paid and (iii) changes in long-term life and health reinsurance contract liabilities.

Claims incurred include claims and loss adjustment expenses incurred on primary P&C insurance and reinsurance contracts and short-term accident and health reinsurance contracts, net of claims and loss adjustment expenses that are recoverable from reinsurers or retrocessionaires through pre-existing reinsurance or retrocession arrangements, as the case may be. Claims incurred also include changes in our claim reserves.

Life and health reinsurance death and other benefits paid represent death, injury, medical and other benefits, maturities, surrenders, and accumulative interest-bearing dividend, paid on long-term life and health reinsurance policies issued by us, net of death and injury claims and other benefits paid that are recoverable from reinsurers or retrocessionaires through pre-existing reinsurance or retrocession arrangements, as the case may be.

Changes in long-term life and health reinsurance contract liabilities represent the changes in the liabilities with respect to long-term life and health reinsurance contracts underwritten by us, net of the portion of the changes in the assets that are assumed by us through retrocession arrangements. Changes in long-term life and health reinsurance contract liabilities also include changes in provisions we make with respect to dividends payable on the participating life insurance products.

Handling Charges and Commissions

Handling charges and commissions consist of reinsurance commissions paid by us in the course of our reinsurance business and handling charges and commissions paid by us in our primary P&C insurance business.

Reinsurance commissions refer to the commissions paid by us, as the reinsurer in the course of reinsuring business, to the cedants or insurance agencies, including operating expenses and taxes.

Handling charges and commissions paid by us in our primary P&C insurance business refer to handling charges and commission expenses paid by us in the course of obtaining insurance contracts from individual insurance agents, insurance agencies and brokers.

Finance Costs

Finance costs primarily include interest expense paid by us on securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses primarily include salaries and other employee benefit expenses, business taxes and surcharges, office and travel expenses, advertising and promotion expenses, interests expenses of policyholders' deposits and investment contracts, rental expenses, depreciation and amortisation expenses, provisions for insurance protection fund, insurance regulatory fees, losses on disposal of non-current assets, impairment losses and other expenses.

Income Tax

We are subject to income tax on an entity basis on taxable income arising or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, the Company and our subsidiaries in the PRC were subjected to an enterprise income tax rate of 25%. Our subsidiaries in the UK and Hong Kong are subject to income tax rates prevailing in such jurisdictions.

During the Track Record Period and as at the Latest Practicable Date, we had fulfilled all our tax obligations due and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

You should read the summary historical consolidated financial information set forth below in conjunction with our consolidated financial information included in the Accountants' Report set forth in "Appendix I — Accountants' Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary historical consolidated income statements for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 and the selected consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 30 June 2015 set forth below are derived from our audited consolidated financial information, including the notes thereto, set forth in "Appendix I — Accountants' Report" to this prospectus. The unaudited consolidated income statements for the six months ended 30 June 2014 are derived from our unaudited consolidated financial information, including the notes thereto, set forth in "Appendix I — Accountants' Report" to this prospectus. Our results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015 or for any other future period.

Summary Historical Consolidated Income Statements Data

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	(RMB in millions, except earnings per share)			*(unaudited)*	
Gross written premiums	59,299	67,375	73,753	34,964	43,048
Less: premiums ceded to reinsurers and retrocessionaires	(2,429)	(3,558)	(4,192)	(2,515)	(3,913)
Net written premiums	56,870	63,817	69,561	32,449	39,135
Change in unearned premium reserves	(1,577)	(2,705)	(709)	(790)	(1,310)
Net premiums earned	55,293	61,112	68,852	31,659	37,825
Reinsurance commission income	458	542	787	429	292
Investment income	4,117	5,991	7,633	4,076	9,257
Including:					
Negative goodwill arising from reclassification of investments in associates	—	—	2,066	2,066	—
Exchange gains/(losses), net	16	39	(93)	19	(69)
Other income	667	617	620	300	263
Total income	60,551	68,301	77,799	36,483	47,568
Claims and policyholders' benefits	(37,760)	(41,535)	(50,377)	(22,975)	(27,259)
- Claims incurred	(25,463)	(30,097)	(34,143)	(16,751)	(16,408)
- Life and health reinsurance death and other benefits paid	(5,936)	(7,729)	(11,298)	(6,531)	(3,694)
- Changes in long-term life and health reinsurance contract liabilities	(6,361)	(3,709)	(4,936)	307	(7,157)
Handling charges and commissions	(13,636)	(15,799)	(13,226)	(6,004)	(7,184)
Finance costs	(243)	(209)	(130)	(51)	(75)
Other operating and administrative expenses	(5,979)	(6,467)	(7,953)	(3,370)	(4,996)
Total benefits, claims and expenses	(57,618)	(64,010)	(71,686)	(32,400)	(39,514)
Share of profits of associates	—	—	894	339	685
Profit before tax	2,933	4,291	7,007	4,422	8,739
Income tax	(615)	(895)	(1,531)	(941)	(2,057)
Net profit	2,318	3,396	5,476	3,481	6,682
Attributable to:					
Equity shareholders of the Company	2,262	3,373	5,404	3,433	6,578
Non-controlling interests	56	23	72	48	104
Earnings per share (in RMB)					
Basic	0.06	0.09	0.15	0.09	0.18
Diluted	0.06	0.09	0.15	0.09	0.18

Summary Historical Consolidated Statements of Financial Position Data

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RMB in millions)			
Assets				
Cash and short-term time deposits	2,739	7,325	7,904	8,532
Financial assets at fair value through profit or loss	5,143	2,641	2,538	2,631
Financial assets held under resale agreements	150	236	1,155	799
Premiums receivable	440	471	589	1,197
Reinsurance debtors	11,769	14,903	11,734	22,886
Reinsurers' share of insurance contract liabilities	2,192	3,994	5,058	7,710
Time deposits	35,778	30,698	31,962	33,244
Available-for-sale financial assets	41,861	41,731	45,934	53,125
Held-to-maturity investments	17,039	17,891	18,186	19,025
Investments classified as loans and receivables	2,960	7,380	12,945	14,040
Policy loans	153	180	235	241
Investments in associates	6	6	7,709	8,098
Statutory deposits	11,810	12,980	12,180	12,455
Investment property	487	460	433	420
Property and equipment	2,360	2,419	2,565	2,531
Intangible assets	296	314	314	306
Goodwill	1,189	1,189	1,189	1,189
Deferred tax assets	493	500	442	433
Other assets	11,164	9,511	26,603	41,932
Total assets	148,029	154,829	189,675	230,794

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RMB in millions)			
Liabilities and equity				
Liabilities				
Securities sold under agreements to repurchase	12,742	3,481	2,309	7,377
Reinsurance payables	7,713	8,792	4,698	8,012
Income tax payable	213	79	660	794
Policyholders' deposits	1,197	966	951	873
Investment contract liabilities	1,961	5,017	21,192	37,651
Insurance contract liabilities	76,130	86,998	97,246	108,502
Deferred tax liabilities	470	321	1,404	1,323
Other liabilities	3,333	3,287	6,580	6,655
Total liabilities	103,759	108,941	135,040	171,187
Equity				
Share capital	36,408	36,408	36,408	36,408
Reserves	2,950	1,809	6,167	5,197
Retained profits	4,317	7,078	11,319	17,168
Total equity attributable to equity shareholders of the Company	43,675	45,295	53,894	58,773
Non-controlling interests	595	593	741	834
Total equity	44,270	45,888	54,635	59,607
Total liabilities and equity	148,029	154,829	189,675	230,794

Financial and Operating Ratios

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015 [1]
Our Group				
Weighted average return on equity [2]	5.40%	7.58%	10.91%	11.65%
Return on average assets [3]	1.70%	2.24%	3.18%	3.18%
Total investment yield [4]	3.99%	5.18%	6.54%	6.95%
Net investment yield [5]	5.00%	4.86%	5.22%	2.78%
P&C reinsurance segment				
Weighted average return on equity [2]	11.42%	15.34%	15.94%	13.99%
Return on average assets [3]	2.69%	3.66%	4.27%	4.06%
Growth rate of retained premiums [6]	15.29%	15.54%	3.06%	(5.13)%
Retention ratio [7]	97.74%	98.38%	97.97%	97.87%
Loss ratio	58.14%	60.22%	63.96%	61.62%
Expense ratio	40.90%	38.34%	34.07%	36.38%
Combined ratio	99.04%	98.56%	98.03%	98.00%
Total investment yield [4]	4.30%	5.14%	5.68%	6.64%
Net investment yield [5]	4.74%	4.69%	4.68%	2.30%
Life and health reinsurance segment				
Weighted average return on equity [2]	4.42%	12.75%	15.07%	19.06%
Return on average assets [3]	0.59%	1.62%	1.91%	2.19%
Total investment yield [4]	4.36%	5.26%	6.33%	6.83%
Net investment yield [5]	5.17%	5.20%	5.43%	2.98%
Primary P&C insurance segment				
Weighted average return on equity [2]	11.60%	3.51%	11.62%	14.06%
Return on average assets [3]	2.97%	0.95%	3.13%	4.50%
Growth rate of retained premiums [6]	11.04%	10.98%	14.85%	21.00%
Retention ratio [7]	89.72%	89.72%	91.35%	90.84%
Loss ratio	60.17%	64.62%	59.03%	55.43%
Expense ratio	38.15%	38.57%	40.81%	42.49%
Combined ratio	98.32%	103.19%	99.84%	97.92%
Total investment yield [4]	4.41%	4.89%	5.46%	7.27%
Net investment yield [5]	4.80%	4.58%	4.53%	2.43%

Notes:

(1) The ratios of weighted average return on equity, return on average assets, total investment yield and net investment yield for the six months ended 30 June 2015 are not annualised.

(2) Ratio of net profit attributable to equity shareholders of the Company to balance of weighted average equity calculated pursuant to the CSRC's Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Return on Equity and Earnings per Shares (2010 Revision), as amended on 11 January 2010.

(3) Ratio of net profit to average balance of total assets as at the beginning and end of the period.

(4) Ratio of total investment income to the average of investment assets as at the beginning and end of the period. Please refer to the section headed "Business — Asset Management — Investment Performance and the Composition of Investment Portfolio" for information regarding the composition of our investment portfolio and other information relating to our investment assets. Total investment income equals the sum of investment income and share of profit of associates, net of 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, policy loans, investments in associates, statutory deposits and investment property, net of securities sold under agreements to repurchase.

(5) Ratio of net investment income to the average of investment assets as at the beginning and end of the period. Net investment income equals to the sum of interest, dividends, rental income and share of profit of associates. Please refer to the section headed "Business — Asset Management — Investment Performance and the Composition of Investment Portfolio."

(6) Ratio of the difference of retained premiums (i.e., net written premiums) of the current period and the previous corresponding period divided by retained premiums of the previous corresponding period. Retained premiums are equal to gross written premiums net of premiums ceded to reinsurers and retrocessionaires, as the case may be.

(7) Ratio of net written premiums to gross written premiums.

Our Group

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the weighted average return on equity of our Group was 5.40%, 7.58%, 10.91% and 11.65% (unannualised), respectively. The relatively high weighted average return on equity of our Group for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our Group as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The weighted average return on equity of our Group increased from 2013 to 2014, primarily because the increase in our Group's net profit outpaced the increase in our Group's net assets in 2014. The net assets of our Group increased by 19.1% from 2013 to 2014, primarily due to the accumulation of net profit and the increase in the fair value of available-for-sale financial assets, whereas the net profit of our Group increased by 61.2% during the same period as a result of the increases in underwriting profit and investment income. The weighted average return on equity of our Group increased from 2012 to 2013, primarily because the increase in our Group's net profit outpaced the increase in our Group's net assets in 2013. The net assets of our Group increased by 3.7% from 2012 to 2013 as a result of the accumulation of net profit, whereas the net profit of our Group increased by 46.5% during the same period as a result of the increase in investment income.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the return on average assets of our Group was 1.70%, 2.24%, 3.18% and 3.18% (unannualised), respectively. The relatively high return on average assets of our Group for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our Group as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The return on average assets of our Group increased from

2013 to 2014, primarily because the increase in our Group's net profit outpaced the increase in our Group's total assets. In line with the increase in our scale of operations and the appreciation of investment assets, the total assets of our Group increased by 22.5% from 2013 to 2014, whereas the net profit of our Group increased by 61.2% during the same period. The return on average assets of our Group increased from 2012 to 2013, primarily due to the increase in our scale of operations and the appreciation of investment assets, as a result the total assets of our Group increased by 4.6% from 2012 to 2013, whereas the net profit of our Group increased by 46.5% during the same period.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the total investment yield of our Group was 3.99%, 5.18%, 6.54% and 6.95% (unannualised), respectively. These continued increases in the total investment yield of our Group were primarily because (i) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (ii) in light of the PRC Government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g., infrastructure debt investment schemes), subject to our strict risk management policies; (iii) the equity and bond markets were in an overall uptrend in 2014 and the first half of 2015, and (iv) our investments in China Everbright Bank generated investment income.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the net investment yield of our Group was 5.00%, 4.86%, 5.22% and 2.78% (unannualised), respectively, which was relatively stable.

P&C Reinsurance

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the weighted average return on equity of our P&C reinsurance segment was 11.42%, 15.34%, 15.94% and 13.99% (unannualised), respectively. The relatively high weighted average return on equity of our P&C reinsurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our P&C reinsurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The continued increases in the weighted average return on equity of our P&C reinsurance segment from 2012 to 2014 were primarily because the increase in the net profit of such segment, which was principally driven by increased underwriting profit and investment income, continuously outpaced the increase in the net assets of such segment.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the return on average assets of our P&C reinsurance segment was 2.69%, 3.66%, 4.27% and 4.06% (unannualised), respectively. The relatively high return on average assets of our P&C reinsurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our P&C reinsurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The continued increases in the return on average assets of our P&C reinsurance segment from 2012 to 2014 were primarily because the increase in the net profit of such segment, which was principally driven by increased underwriting profit and investment income, continuously outpaced the increase in the total assets of such segment.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the growth rate of retained premiums in our P&C reinsurance segment was 15.29%, 15.54%, 3.06% and -5.13%, respectively. The decrease in the retained premiums for the six months ended 30 June 2015 as compared to the same period in 2014 was primarily due to a decrease in premiums ceded to us in our domestic motor line of business, the effects of which were partially offset by increases in premiums generated from our international P&C reinsurance business and premiums ceded to us in our domestic agricultural, engineering and liability lines of business. The growth rate of retained premiums in our P&C reinsurance segment decreased in 2014 as compared to 2013, primarily because primary insurance companies maintained a relatively sufficient solvency level in 2014, benefiting from the active capital markets, as a result of which the growth of their premiums ceded to reinsurers slowed down. The foregoing effects were partially offset by an increase in our retained premiums generated from our agricultural reinsurance business, which we have actively promoted in 2014. The growth rate of retained premiums in our P&C reinsurance segment remained relatively stable in 2012 and 2013.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the retention ratio of our P&C reinsurance segment was 97.74%, 98.38%, 97.97% and 97.87%, respectively. The retention ratio remained relatively stable, which was principally driven by our consistent ceding policies.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the combined ratio of our P&C reinsurance segment was 99.04%, 98.56%, 98.03% and 98.00%, respectively. The combined ratio of our P&C reinsurance segment remained relatively stable during the Track Record Period, primarily due to the sliding scale commission arrangement under our P&C reinsurance contracts whereby the actual commission we pay to a ceding company varies inversely with the loss ratio of the ceded business, if the loss ratio is within the range as stipulated in respective reinsurance contracts. In 2012, 2013 and 2014 and the six months ended 30 June 2015, the loss ratio of our P&C reinsurance segment was 58.14%, 60.22%, 63.96% and 61.62%, respectively. The loss ratio in the six months ended 30 June 2015 decreased as compared to 2014, primarily due to the absence of major claims in the first half of 2015. The loss ratio in 2014 increased as compared to 2013, primarily because a portion of the claims in relation to natural catastrophes incurred in 2013 were settled in 2014 and we enhanced reserving for motor and agricultural lines of business after taking into consideration the market-oriented reform of commercial motor insurance and potential impact of natural catastrophes on agricultural insurance, respectively. The loss ratio in 2013 increased as compared to 2012, primarily due to higher claims in our domestic P&C reinsurance business in 2013, as a result of the large-sum claim arising from the fire at the semiconductor plant of SK Hynix Inc. in Wuxi, China in 2013 (the "Hynix Case") and natural catastrophes, including Typhoon Fitow and floods in Northeast China in 2013, the effects of which were partially offset by an decrease in the loss ratio of our international P&C reinsurance business in 2013. In 2012, 2013 and 2014 and the six months ended 30 June 2015, the expense ratio of our P&C reinsurance segment was 40.90%, 38.34%, 34.07% and 36.38%, respectively. The expense ratio generally varies inversely with the loss ratio, as a result of sliding scale commission arrangements and the fact that the loss ratio of the businesses ceded to us during the Track Record Period generally fell within the range as stipulated in respective reinsurance contracts. In particular, the expense ratio in 2014 was relatively low, primarily due to the reinsurance commission recoveries for our P&C reinsurance business according to the actual business progress under the sliding scale commission arrangement. For details of sliding scale commission arrangements, please refer to the section headed "Business — P&C Reinsurance Business — Underwriting and Pricing — Actuarial Pricing and Risk Analysis."

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the total investment yield of our P&C reinsurance segment was 4.30%, 5.14%, 5.68% and 6.64% (unannualised), respectively. These continued increases in the total investment yield of our P&C reinsurance segment were primarily because (i) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (ii) in light of the PRC Government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; and (iii) the equity and bond markets were in an overall uptrend in 2014 and the first half of 2015.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the net investment yield of our P&C reinsurance segment was 4.74%, 4.69%, 4.68% and 2.30% (unannualised), respectively, which remained relatively stable.

Life and Health Reinsurance

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the weighted average return on equity of our life and health reinsurance segment was 4.42%, 12.75%, 15.07% and 19.06% (unannualised), respectively. The relatively high weighted average return on equity of our life and health reinsurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our life and health reinsurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The weighted average return on equity of our life and health reinsurance segment increased from 2013 to 2014, primarily because the increase in the net profit of such segment, which was principally driven by increased investment income and improved underwriting performance, significantly outpaced the increase in the net assets of such segment. The increase in the net assets of our life and health reinsurance segment in 2014 was principally driven by accumulation of net profit and an increase in fair value of available-for-sale financial assets. The weighted average return on average equity of our life and health reinsurance segment increased from 2012 to 2013, primarily because the increase in the net profit of such segment significantly outpaced the increase in the net assets of such segment. The significant increase in the net profit was principally driven by improved underwriting performance and increased investment income, and the net assets increased as a result of capital injection from our Group Company and accumulation of net profit, the effects of which were partially offset by a decrease in the fair value of available-for-sale financial assets.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the return on average assets of our life and health reinsurance segment was 0.59%, 1.62%, 1.91% and 2.19% (unannualised), respectively. The relatively high return on average assets of our life and health reinsurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our life and health reinsurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The return on average assets of our life and health reinsurance segment increased from 2013 to 2014, primarily because the increase in the net profit of such segment outpaced the increase in the total assets of such segment. The increase in the total assets of our life and health reinsurance segment in 2014 was primarily due to the growth of business operations, appreciation of investment assets and the expansion of universal reinsurance business, which was recognised as investment contracts under the criteria of the risk significance test. The return on average assets of our life and health reinsurance segment significantly increased from 2012 to 2013, primarily because the increase in the net profit of such segment significantly outpaced the increase in the total assets of such segment. The increase in the total assets of our life and health reinsurance segment slowed down in 2013, primarily due to decreases in the balance of securities sold under agreements to repurchase and the balance of deposits retained by cedants as a result of the termination or maturity of certain modified co-insurance contracts.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the total investment yield of our life and health reinsurance segment was 4.36%, 5.26%, 6.33% and 6.83% (unannualised), respectively. The continued increases in the total investment yield of our life and health reinsurance segment were primarily because (i) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (ii) in light of the PRC Government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; (iii) the equity and bond markets were in an overall uptrend in 2014 and the first half of 2015; and (iv) our investments in China Everbright Bank generated investment income.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the net investment yield of our life and health reinsurance segment was 5.17%, 5.20%, 5.43% and 2.98% (unannualised), respectively, which remained relatively stable.

Primary P&C Insurance

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the weighted average return on equity of our primary P&C insurance segment was 11.60%, 3.51%, 11.62% and 14.06% (unannualised), respectively. The relatively high weighted average return on equity of our primary P&C insurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our primary P&C insurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The weighted average return on equity of our primary P&C insurance segment significantly increased from 2013 to 2014, primarily due to the underwriting profit and sound investment income of this segment in 2014, whereas we recorded underwriting loss for this segment in 2013. The weighted average return on equity of our primary P&C insurance segment decreased from 2012 to 2013, primarily due to a relatively large amount of underwriting loss we recorded for this segment in 2013 as a result of the more intensified competition, increased claims and a higher number of major natural catastrophes during the same year.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the return on average assets of our primary P&C insurance segment was 2.97%, 0.95%, 3.13% and 4.50% (unannualised), respectively. The relatively high return on average assets of our primary P&C insurance segment for the six months ended 30 June 2015 was primarily due to the relatively high investment income of our primary P&C insurance segment as a result of the overall uptrend of the PRC equity and bond markets in the first half of 2015. The return on average assets of our primary P&C insurance segment significantly increased from 2013 to 2014, primarily due to the underwriting profit and sound investment income of this segment in 2014, whereas we recorded underwriting loss for this segment in 2013. The return on average assets of our primary P&C insurance segment significantly decreased from 2012 to 2013, primarily due to a relatively large amount of underwriting loss we recorded for this segment in 2013.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the growth rate of retained premiums in our primary P&C insurance segment was 11.04%, 10.98%, 14.85% and 21.00%, respectively. The growth rate of retained premiums in our primary P&C insurance segment increased in the six months ended 30 June 2015 as compared to 2014, primarily due to a higher growth rate of the GWPs arising from our primary P&C insurance segment in the six months ended 30 June 2015. The growth rate of retained premiums in our primary P&C insurance segment increased in 2014 as compared to 2013, primarily due to a higher growth rate of the GWPs and a lower cession ratio for our primary P&C insurance segment in 2014. The growth rate of retained premiums in our primary P&C insurance segment remained relatively stable in 2012 and 2013.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the retention ratio of our primary P&C insurance segment was 89.72%, 89.72%, 91.35% and 90.84%, respectively. The retention ratio of our primary P&C insurance segment decreased from 2014 to the six months ended 30 June 2015, primarily due to an increase in our cession ratio as a result of changes in the product mix of this segment. The retention ratio of our primary P&C insurance segment increased from 2013 to 2014, primarily because we lowered the cession ratio of our commercial motor insurance in 2014. The retention ratio of our primary P&C insurance segment remained stable in 2012 and 2013.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the combined ratio of our primary P&C insurance segment was 98.32%, 103.19%, 99.84% and 97.92%, respectively. The combined ratio of our primary P&C insurance segment decreased from 2014 to the six months ended 30 June 2015, primarily due to our improved underwriting profitability and business quality for this segment as a result of our continued efforts to develop high-quality businesses, the effects of which were partially offset by an increase in the sales expenses for this segment. The combined ratio of our primary P&C insurance segment decreased from 2013 to 2014, primarily due to our improved underwriting profitability for this segment driven by our efforts to develop high-quality businesses, as a result of which we recorded underwriting profit for this segment in 2014 despite an increase in the sales expenses, whereas we recorded underwriting loss for this segment in 2013. In particular, the accident frequency and loss ratio of our motor insurance significantly declined in 2014. The combined ratio of our primary P&C insurance segment increased from 2012 to 2013, primarily due to a higher accident frequency of our motor insurance and increased claims arising from our property insurance business as a result of natural catastrophes including Typhoon Fitow in 2013.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the total investment yield of our primary P&C insurance segment was 4.41%, 4.89%, 5.46% and 7.27% (unannualised), respectively. The total investment yield of our primary P&C insurance segment increased during the Track Record Period, primarily because (i) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (ii) in light of the PRC Government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g., infrastructure debt investment schemes), subject to our strict risk management policies; and (iii) the equity and bond markets were in an overall uptrend in 2014 and the first half of 2015.

In 2012, 2013 and 2014 and the six months ended 30 June 2015, the net investment yield of our primary P&C insurance segment was 4.80%, 4.58%, 4.53% and 2.43% (unannualised), respectively, which remained relatively stable.

CONSOLIDATED RESULTS OF OPERATIONS

Six Months Ended 30 June 2014 and 2015

Gross Written Premiums

GWPs increased by 23.1% to RMB43,048 million for the six months ended 30 June 2015 from RMB34,964 million for the six months ended 30 June 2014, primarily due to (i) a 77.1% increase in the GWPs arising from our life and health reinsurance segment from RMB8,775 million to RMB15,543 million, principally driven by the rapid growth of our domestic financial reinsurance business; and (ii) a 19.8% increase in the GWPs arising from our primary P&C insurance segment from RMB11,094 million to RMB13,291 million, principally driven by our increased efforts in expansion of sales channels, sales team and product development, as a result of which we achieved a relatively rapid growth in motor, engineering, liability and accident insurance. The foregoing effects were partially offset by a 5.0% decrease in the GWPs arising from P&C reinsurance segment from RMB15,587 million for the six months ended 30 June 2014 to RMB14,813 million for the six months ended 30 June 2015, primarily due to a decrease in the premiums ceded to us in our domestic motor line of business, the effects of which were partially offset by increases in the reinsurance premiums arising from our international P&C reinsurance business and our domestic agricultural, engineering and liability lines of business.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires increased by 55.6% to RMB3,913 million for the six months ended 30 June 2015 from RMB2,515 million for the six months ended 30 June 2014, primarily due to a 88.5% increase in the premiums ceded to retrocessionaires in our life and health reinsurance segment from RMB1,580 million for the six months ended 30 June 2014 to RMB2,978 million for the six months ended 30 June 2015, which was primarily due to new retrocession arrangements covering savings-type reinsurance business in the first half of 2015.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 20.6% to RMB39,135 million for the six months ended 30 June 2015 from RMB32,449 million for the six months ended 30 June 2014.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB1,310 million for the six months ended 30 June 2015 and by RMB790 million for the six months ended 30 June 2014. The change was in line with our business development and cession arrangements during the same period.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 19.5% to RMB37,825 million for the six months ended 30 June 2015 from RMB31,659 million for the six months ended 30 June 2014.

Reinsurance Commission Income

Reinsurance commission income decreased by 31.9% to RMB292 million for the six months ended 30 June 2015 from RMB429 million for the six months ended 30 June 2014, primarily due to a 53.7% decrease in the reinsurance commission income arising from our life and health reinsurance segment from RMB229 million for the six months ended 30 June 2014 to RMB106 million for the six months ended 30 June 2015, as the premiums ceded to retrocessionaires in our life and health reinsurance segment in the first half of 2015 were mainly from certain savings-type reinsurance business with lower commission rates.

Investment Income

Investment income increased by 127.1% to RMB9,257 million for the six months ended 30 June 2015 from RMB4,076 million for the six months ended 30 June 2014, primarily due to gains realised by us in light of the significant uptrend in the PRC stock market in the first half of 2015.

Exchange Gains/(Losses), net

We recorded exchange gains of RMB19 million for the six months ended 30 June 2014, whereas we recorded exchange loss of RMB69 million for the six months ended 30 June 2015. Such change was primarily due to changes in the exchange rates.

Other Income

Other income decreased by 12.3% to RMB263 million for the six months ended 30 June 2015 from RMB300 million for the six months ended 30 June 2014, primarily due to a decrease in interest income from deposits retained by cedants from RMB136 million for the six months ended 30 June 2014 to RMB60 million for the six months ended 30 June 2015, principally driven by a decrease in the deposits retained by cedants in our reinsurance business.

Total Income

As a result of the foregoing, total income increased by 30.4% to RMB47,568 million for the six months ended 30 June 2015 from RMB36,483 million for the six months ended 30 June 2014.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 18.6% to RMB27,259 million for the six months ended 30 June 2015 from RMB22,975 million for the six months ended 30 June 2014, primarily due to (i) a 58.6% increase in claims and policyholders' benefits for our life and health reinsurance segment from RMB7,732 million to RMB12,261 million, principally driven by an increase in the long-term life and health reinsurance contract liabilities as a result of the growth of our business, and increased payments upon maturity; and (ii) a 10.3% increase in claims and policyholders' benefits for our primary P&C insurance segment from RMB5,478 million to RMB6,044 million as a result of the growth of our business. The foregoing increases were partially offset by a decrease in the claims and policyholders' benefits for our P&C reinsurance segment.

Handling Charges and Commissions

Handling charges and commissions increased by 19.7% to RMB7,184 million for the six months ended 30 June 2015 from RMB6,004 million for the six months ended 30 June 2014, primarily due to increases in the handling charges and commissions for our life and health reinsurance and primary P&C insurance segments. Handling charges and commissions for our P&C reinsurance segment remained relatively stable for the six months ended 30 June 2014 and 2015.

Finance Costs

Finance costs increased by 47.1% to RMB75 million for the six months ended 30 June 2015 from RMB51 million for the six months ended 30 June 2014, primarily due to an increase in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 48.2% to RMB4,996 million for the six months ended 30 June 2015 from RMB3,370 million for the six months ended 30 June 2014, primarily due to the growth of our business, as well as an increase in the sales expenses for our primary P&C insurance segment as a result of our increased efforts to develop high-quality businesses.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 22.0% to RMB39,514 million for the six months ended 30 June 2015 from RMB32,400 million for the six months ended 30 June 2014.

Share of Profits of Associates

Share of profits of associates increased by 102.1% to RMB685 million for the six months ended 30 June 2015 from RMB339 million for the six months ended 30 June 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 97.6% to RMB8,739 million for the six months ended 30 June 2015 from RMB4,422 million for the six months ended 30 June 2014.

Income Tax

We incurred income tax expense of RMB941 million for the six months ended 30 June 2014 and RMB2,057 million for the six months ended 30 June 2015, respectively. The change in our income tax expense was primarily due to the change in our taxable income.

Net Profit

As a result of the foregoing, our net profit increased by 92.0% to RMB6,682 million for the six months ended 30 June 2015 from RMB3,481 million for the six months ended 30 June 2014.

Years Ended 31 December 2012, 2013 and 2014

Gross Written Premiums

GWPs increased by 9.5% to RMB73,753 million in 2014 from RMB67,375 million in 2013, primarily because we maintained our leading position in the PRC reinsurance market and achieved the following growth in our reinsurance and primary insurance businesses: (i) a 3.5% increase in the GWPs arising from our P&C reinsurance segment from RMB30,086 million to RMB31,135 million, principally driven by our active development of agricultural reinsurance, despite a slower growth of premiums ceded from the primary insurance industry; (ii) a 14.6% increase in the GWPs arising from our life and health reinsurance segment from RMB18,394 million to RMB21,081 million, principally driven by our development of domestic financial reinsurance business; and (iii) a 12.8% increase in the GWPs arising from our primary P&C insurance segment from RMB19,909 million in 2013 to RMB22,459 million in 2014, principally driven by our increased efforts in expansion of sales channels, sales team and product development, as a result of which we achieved rapid growth in a number of insurance products.

GWPs increased by 13.6% to RMB67,375 million in 2013 from RMB59,299 million in 2012, primarily because we maintained our leading position in the PRC reinsurance market and achieved the following growth in our reinsurance and primary insurance businesses: (i) a 14.8% increase in the GWPs arising from our P&C reinsurance segment from RMB26,210 million to RMB30,086 million, principally driven by increased premiums arising from motor, commercial property, agricultural and liability lines of business, including large-sum premiums from certain motor reinsurance treaties in the second half of 2013; (ii) a 14.6% increase in the GWPs arising from our life and health reinsurance segment from RMB16,057 million to RMB18,394 million, principally driven by our development of cross-border RMB reinsurance business and domestic financial reinsurance business; and (iii) a 11.0% increase in the GWPs arising from our primary P&C insurance segment from RMB17,940 million to RMB19,909 million, principally driven by our increased efforts in expansion of sales channels, sales team and product development, as a result of which we achieved rapid growth in a number of insurance products.

Premiums Ceded to Reinsurers and Retrocessionaires

Premiums ceded to reinsurers and retrocessionaires increased by 17.8% to RMB4,192 million in 2014 from RMB3,558 million in 2013, primarily due to a 24.4% increase in premiums ceded to retrocessionaires in our life and health reinsurance segment from RMB2,036 million in 2013 to RMB2,533 million in 2014, as a result of a new short-term retrocession arrangement we made in 2014.

Premiums ceded to reinsurers and retrocessionaires increased by 46.5% to RMB3,558 million in 2013 from RMB2,429 million in 2012, primarily due to a 126.2% increase in premiums ceded to retrocessionaires in our life and health reinsurance segment from RMB900 million in 2012 to RMB2,036 million in 2013, as we increased retrocession for certain savings-type reinsurance business in order to adjust the business portfolio of our life and health reinsurance segment in 2013.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 9.0% to RMB69,561 million in 2014 from RMB63,817 million in 2013 and increased by 12.2% to RMB63,817 million in 2013 from RMB56,870 million in 2012.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB709 million in 2014 and by RMB2,705 million in 2013. The less increase in 2014 was primarily due to a decrease in net unearned premium reserves of our P&C reinsurance segment as a result of a decrease in incremental unearned premium reserves because of decelerating premium growth in our P&C reinsurance segment, and the release of certain unearned premium reserves which was established for certain large-sum motor reinsurance treaties entered into in the second half of 2013, the effects of which partially offset the increase in the unearned premium reserves of our life and health reinsurance segment and primary P&C insurance segment.

Unearned premium reserves increased by RMB2,705 million in 2013 and by RMB1,577 million in 2012, which was in line with our business development and cession arrangements during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 12.7% to RMB68,852 million in 2014 from RMB61,112 million in 2013 and increased by 10.5% to RMB61,112 million in 2013 from RMB55,293 million in 2012.

Reinsurance Commission Income

Reinsurance commission income increased by 45.2% to RMB787 million in 2014 from RMB542 million in 2013, primarily due to a 93.3% increase in the reinsurance commission income arising from our life and health reinsurance segment from RMB239 million in 2013 to RMB462 million in 2014.

Reinsurance commission income increased by 18.3% to RMB542 million in 2013 from RMB458 million in 2012, primarily due to a 83.8% increase in the reinsurance commission income arising from our life and health reinsurance segment from RMB130 million in 2012 to RMB239 million in 2013.

Investment Income

Investment income increased by 27.4% to RMB7,633 million in 2014 from RMB5,991 million in 2013 and by 45.5% to RMB5,991 million in 2013 from RMB4,117 million in 2012. These increases in our investment income were primarily because (i) our investment assets steadily increased in line with our growth of business; (ii) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (iii) in light of the PRC government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; (iv) the equity and bond markets were in an overall uptrend in 2014, and (v) our investments in China Everbright Bank generated investment income.

Exchange Gains/(Losses), net

We recorded exchange losses of RMB93 million in 2014, exchange gains of RMB39 million in 2013 and exchange gains of RMB16 million in 2012, primarily due to changes in exchange rates.

Other Income

Other income increased by 0.5% to RMB620 million in 2014 from RMB617 million in 2013, and decreased by 7.5% to RMB617 million in 2013 from RMB667 million in 2012, primarily due to changes in interest income from deposits retained by cedants in our reinsurance business, fee income from insurance brokerage services and certain non-recurring items for our primary P&C insurance segment.

Total Income

As a result of the foregoing, total income increased by 13.9% to RMB77,799 million in 2014 from RMB68,301 million in 2013 and increased by 12.8% to RMB68,301 million in 2013 from RMB60,551 million in 2012.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 21.3% to RMB50,377 million in 2014 from RMB41,535 million in 2013, primarily due to (i) a 38.3% increase in claims and policyholders' benefits for our life and health reinsurance segment from RMB13,796 million in 2013 to RMB19,086 million in 2014, principally driven by an increase in the surrenders of our long-term financial reinsurance business; (ii) a 18.4% increase in claims and policyholders' benefits for our P&C reinsurance segment from RMB16,743 million in 2013 to RMB19,819 million in 2014, principally driven by (a) the growth of our P&C reinsurance business; (b) the fact that a portion of the claims in relation to natural catastrophes incurred in 2013 were settled in 2014, and (c) our enhanced reserving for motor and agricultural lines of business after taking into consideration the market-oriented reform of commercial motor insurance and potential impact of natural catastrophes on agricultural insurance, respectively; and (iii) a moderate 4.4% increase in claims and policyholders' benefits for our primary P&C insurance segment as a result of our improved quality of business for this segment.

Claims and policyholders' benefits increased by 10.0% to RMB41,535 million in 2013 from RMB37,760 million in 2012, primarily due to a 16.8% increase in our P&C reinsurance segment and a 18.0% increase in our primary P&C insurance segment in respect of claims and policyholders' benefits, which was principally driven by the relatively high loss ratio in the PRC primary P&C insurance industry in 2013 and significant claims arising from the Hynix Case and natural catastrophes such as Typhoon Fitow. The foregoing effects were partially offset by a 2.2% decrease in the claims and policyholders' benefits for our life and health reinsurance segment, primarily due to a decrease in the change of long-term life and health insurance contract liabilities.

Handling Charges and Commissions

Handling charges and commissions decreased by 16.3% to RMB13,226 million in 2014 from RMB15,799 million in 2013, primarily due to a 73.3% decrease in handling charges and commissions for our life and health reinsurance segment from RMB3,703 million in 2013 to RMB990 million in 2014, as some of our financial reinsurance contracts were terminated in 2014 and the relevant reinsurance commissions were refunded. The foregoing effects were partially offset by increases in handling charge and commissions for our domestic P&C reinsurance business and primary P&C insurance business.

Handling charges and commissions increased by 15.9% to RMB15,799 million in 2013 from RMB13,636 million in 2012, primarily due to the growth of our business.

Finance Costs

Finance costs decreased by 37.8% to RMB130 million in 2014 from RMB209 million in 2013, and decreased by 14.0% to RMB209 million in 2013 from RMB243 million in 2012, primarily because we reduced short-term financing according to our business needs, which led to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 23.0% to RMB7,953 million in 2014 from RMB6,467 million in 2013, primarily due to the growth of our business, as well as an increase in the sales expenses for our primary P&C insurance segment as a result of our increased efforts to develop high-quality businesses.

Other operating and administrative expenses increased by 8.2% to RMB6,467 million in 2013 from RMB5,979 million in 2012, primarily due to the growth of our business.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 12.0% to RMB71,686 million in 2014 from RMB64,010 million in 2013 and increased by 11.1% to RMB64,010 million in 2013 from RMB57,618 million in 2012.

Share of Profits of Associates

Share of profits of associates was RMB894 million in 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased significantly by 63.3% to RMB7,007 million in 2014 from RMB4,291 million in 2013 and increased by 46.3% to RMB4,291 million in 2013 from RMB2,933 million in 2012.

Income Tax

We incurred income tax expense of RMB615 million in 2012, RMB895 million in 2013 and RMB1,531 million in 2014, respectively. The change in our income tax expense was primarily due to the change in our taxable income.

Net Profit

As a result of the foregoing, net profit increased by 61.2% to RMB5,476 million in 2014 from RMB3,396 million in 2013 and increased by 46.5% to RMB3,396 million in 2013 from RMB2,318 million in 2012.

SEGMENTAL RESULTS OF OPERATIONS

We report our results of operations by four principal segments: P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management. The tables below set forth certain information of our segmental results of operations. For more information, please refer to Note 4 to the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
							(unaudited)			
Gross written premiums										
P&C reinsurance	26,210	44.2%	30,086	44.7%	31,135	42.2%	15,587	44.6%	14,813	34.4%
Life and health reinsurance	16,057	27.1%	18,394	27.3%	21,081	28.6%	8,775	25.1%	15,543	36.1%
Primary P&C insurance	17,940	30.3%	19,909	29.5%	22,459	30.5%	11,094	31.7%	13,291	30.9%
Inter-segment eliminations	(908)	(1.6)%	(1,014)	(1.5)%	(922)	(1.3)%	(492)	(1.4)%	(599)	(1.4)%
Total	59,299	100.0%	67,375	100.0%	73,753	100.0%	34,964	100.0%	43,048	100.0%

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB in millions	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*	*RMB in millions*	*% of total*
							(unaudited)			
Net profit/(loss)										
P&C reinsurance	1,145	49.4%	1,723	50.8%	2,143	39.2%	1,163	33.4%	2,245	33.6%
Life and health reinsurance	277	11.9%	948	27.9%	1,415	25.8%	859	24.7%	2,254	33.7%
Primary P&C insurance	708	30.5%	238	7.0%	873	15.9%	559	16.1%	1,469	22.0%
Asset management	—	—	8	0.2%	13	0.2%	—	—	8	0.1%
Others	478	20.6%	919	27.1%	1,039	19.0%	920	26.4%	679	10.2%
Inter-segment eliminations	(290)	(12.4)%	(440)	(13.0)%	(7)	(0.1)%	(20)	(0.6)%	27	0.4%
Total	2,318	100.0%	3,396	100.0%	5,476	100.0%	3,481	100.0%	6,682	100.0%

P&C Reinsurance

The following table sets forth selected income statements data for our P&C reinsurance segment during the Track Record Period, which reflects the results of operations of the P&C reinsurance businesses of China Re P&C, our Group Company and China Re UK in the PRC and overseas.

	For the year ended 31 December					For the six months ended 30 June		
	2012	**% change**	**2013**	**% change**	**2014**	**2014**	**% change**	**2015**
	RMB in millions		*RMB in millions*		*RMB in millions*	*RMB in millions (unaudited)*		*RMB in millions*
Gross written premiums	26,210	14.8%	30,086	3.5%	31,135	15,587	(5.0)%	14,813
Less: premiums ceded to retrocessionaires	(593)	(17.7)%	(488)	29.3%	(631)	(306)	3.3%	(316)
Net written premiums	25,617	15.5%	29,598	3.1%	30,504	15,281	(5.1)%	14,497
Change in unearned premium reserves	(965)	86.0%	(1,795)	(126.9)%	483	38	(18.4)%	31
Net premiums earned	24,652	12.8%	27,803	11.5%	30,987	15,319	(5.2)%	14,528
Reinsurance commission income	76	(46.1)%	41	95.1%	80	48	(27.1)%	35
Investment income	1,417	30.9%	1,855	20.1%	2,228	1,071	164.5%	2,833
Exchange gains/(losses), net	16	(68.8)%	5	(2,120.0)%	(101)	10	(730.0)%	(63)
Other income	3	66.7%	5	(20.0)%	4	1	100.0%	2
Total income	26,164	13.5%	29,709	11.7%	33,198	16,449	5.4%	17,335
Claims and policyholders' benefits	(14,332)	16.8%	(16,743)	18.4%	(19,819)	(9,764)	(8.3)%	(8,951)
Claims incurred	(14,332)	16.8%	(16,743)	18.4%	(19,819)	(9,764)	(8.3)%	(8,951)
Handling charges and commissions	(9,860)	6.6%	(10,510)	(1.2)%	(10,383)	(5,032)	3.0%	(5,185)
Finance costs	(63)	(3.2)%	(61)	(29.5)%	(43)	(19)	(21.1)%	(15)
Other operating and administrative expenses	(453)	(49.9)%	(227)	13.2%	(257)	(154)	79.2%	(276)
Total benefits, claims and expenses	(24,708)	11.5%	(27,541)	10.8%	(30,502)	(14,969)	(3.6)%	(14,427)
Share of profits of associates	—	—	—	—	6	—	—	4
Profit before tax	1,456	48.9%	2,168	24.6%	2,702	1,480	96.8%	2,912
Income tax	(311)	43.1%	(445)	25.6%	(559)	(317)	110.4%	(667)
Net profit	1,145	50.5%	1,723	24.4%	2,143	1,163	93.0%	2,245

Six Months Ended 30 June 2014 and 2015

Gross Written Premiums

GWPs decreased by 5.0% to RMB14,813 million for the six months ended 30 June 2015 from RMB15,587 million for the six months ended 30 June 2014, primarily due to a decrease in the premiums ceded to us in our domestic motor line of business as certain primary insurance companies reduced their cession ratios for motor insurance, the effects of which were partially offset by increases in the reinsurance premiums generated from our international P&C reinsurance business and our domestic agricultural, engineering and liability lines of business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires were RMB316 million for the six months ended 30 June 2015 and RMB306 million for the six months ended 30 June 2014, which remained relatively stable.

Net Written Premiums

As a result of the foregoing, net written premiums decreased by 5.1% to RMB14,497 million for the six months ended 30 June 2015 from RMB15,281 million for the six months ended 30 June 2014.

Change in Unearned Premium Reserves

Unearned premium reserves decreased by RMB31 million for the six months ended 30 June 2015 and decreased by RMB38 million for the six months ended 30 June 2014, which was in line with the business development and retrocession arrangements during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned decreased by 5.2% to RMB14,528 million for the six months ended 30 June 2015 from RMB15,319 million for the six months ended 30 June 2014.

Reinsurance Commission Income

Reinsurance commission income decreased by 27.1% to RMB35 million for the six months ended 30 June 2015 from RMB48 million for the six months ended 30 June 2014, primarily due to a decrease in premiums ceded to retrocessionaires in our domestic P&C reinsurance business.

Investment Income

Investment income increased by 164.5% to RMB2,833 million for the six months ended 30 June 2015 from RMB1,071 million for the six months ended 30 June 2014, primarily due to gains realised by us in light of the significant uptrend in the PRC stock market in the first half of 2015.

Exchange Gains/(Losses), net

Exchange losses were RMB63 million for the six months ended 30 June 2015, whereas exchange gains were RMB10 million for the six months ended 30 June 2014, primarily due to the settlement of foreign-currency creditors and debtors and the currency translation of assets and liabilities denominated in foreign currencies at the end of the respective periods in our international P&C reinsurance business.

Total Income

As a result of the foregoing, total income increased by 5.4% to RMB17,335 million for the six months ended 30 June 2015 from RMB16,449 million for the six months ended 30 June 2014.

Claims and Policyholders' Benefits

Claims and policyholders' benefits decreased by 8.3% to RMB8,951 million for the six months ended 30 June 2015 from RMB9,764 million for the six months ended 30 June 2014, which was in line with the change in net premiums earned.

Handling Charges and Commissions

Handling charges and commissions increased by 3.0% to RMB5,185 million for the six months ended 30 June 2015 from RMB5,032 million for the six months ended 30 June 2014, primarily due to additional reinsurance commissions paid according to the arrangement of sliding scale commission with the lower loss ratio achieved than expected.

Finance Costs

Finance costs decreased by 21.1% to RMB15 million for the six months ended 30 June 2015 from RMB19 million for the six months ended 30 June 2014, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 79.2% to RMB276 million for the six months ended 30 June 2015 from RMB154 million for the six months ended 30 June 2014, primarily due to an increase in business taxes and surcharges as a result of the increase in investment income.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses were RMB14,427 million for the six months ended 30 June 2015 and RMB14,969 million for the six months ended 30 June 2014, which remained relatively stable.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 96.8% to RMB2,912 million for the six months ended 30 June 2015 from RMB1,480 million for the six months ended 30 June 2014.

Income Tax

We incurred income tax expense of RMB317 million for the six months ended 30 June 2014 and RMB667 million for the six months ended 30 June 2015, respectively. The change in the income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 93.0% to RMB2,245 million for the six months ended 30 June 2015 from RMB1,163 million for the six months ended 30 June 2014.

Years Ended 31 December 2012, 2013 and 2014

Gross Written Premiums

GWPs increased by 3.5% to RMB31,135 million in 2014 from RMB30,086 million in 2013, primarily because primary P&C insurance companies maintained a relatively sufficient solvency level in 2014, benefiting from the active capital markets, as a result of which the growth of their premiums ceded to reinsurers slowed down. However, we actively developed our agricultural reinsurance business, which partially offset the slowdown in the growth of premiums ceded from the insurance industry.

GWPs increased by 14.8% to RMB30,086 million in 2013 from RMB26,210 million in 2012, primarily due to increased reinsurance premiums arising from motor, commercial property, agricultural and liability lines of business, including large-sum premiums from certain motor reinsurance treaties in the second half of 2013.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires increased by 29.3% to RMB631 million in 2014 from RMB488 million in 2013, primarily because we increased the scale of our reciprocal business for the purposes of risk management and diversification of business channels.

Premiums ceded to retrocessionaires decreased by 17.7% to RMB488 million in 2013 from RMB593 million in 2012, primarily because we adjusted retrocession strategy and reduced the scale of retrocession.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 3.1% to RMB30,504 million in 2014 from RMB29,598 million in 2013 and increased by 15.5% to RMB29,598 million in 2013 from RMB25,617 million in 2012.

Change in Unearned Premium Reserves

Unearned premium reserves decreased by RMB483 million in 2014 and increased by RMB1,795 million in 2013. This change was primarily due to a decrease in incremental unearned premium reserves as a result of the decelerating premium growth, and the release of certain unearned premium reserves in 2014, which was established for certain motor reinsurance treaties in the second half of 2013.

Unearned premium reserves increased by RMB1,795 million in 2013 and by RMB965 million in 2012. The greater increase in 2013 was primarily due to an increase in our GWPs and the large-sum premiums from certain motor reinsurance treaties in the second half of 2013.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 11.5% to RMB30,987 million in 2014 from RMB27,803 million in 2013 and increased by 12.8% to RMB27,803 million in 2013 from RMB24,652 million in 2012.

Reinsurance Commission Income

Reinsurance commission income increased by 95.1% to RMB80 million in 2014 from RMB41 million in 2013, primarily due to the increase in retrocession premiums and adjustment of reinsurance commissions in preceding years.

Reinsurance commission income decreased by 46.1% to RMB41 million in 2013 from RMB76 million in 2012, primarily due to the decrease in retrocession premiums and adjustment of reinsurance commissions in preceding years.

Investment Income

Investment income increased by 20.1% to RMB2,228 million in 2014 from RMB1,855 million in 2013, and increased by 30.9% to RMB1,855 million in 2013 from RMB1,417 million in 2012, primarily because (i) our investment assets steadily increased in line with the growth of our P&C reinsurance segment; (ii) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (iii) in light of the PRC government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; and (iv) the equity and bond markets were in an overall uptrend in 2014.

Exchange Gains/(Losses), net

We recorded exchange gains of RMB16 million and RMB5 million in 2012 and 2013, respectively, whereas we recorded exchange losses of RMB101 million in 2014, primarily due to the settlement of foreign-currency creditors and debtors and the currency translation of assets and liabilities denominated in foreign currencies at the end of the respective periods in our international P&C reinsurance business.

Other Income

Other income decreased by 20.0% to RMB4 million in 2014 from RMB5 million in 2013, primarily due to a decrease in interest income from deposits retained by cedants.

Other income increased by 66.7% to RMB5 million in 2013 from RMB3 million in 2012, primarily due to an increase in interest income from deposits retained by cedants.

Total Income

As a result of the foregoing, total income increased by 11.7% to RMB33,198 million in 2014 from RMB29,709 million in 2013 and by 13.5% to RMB29,709 million in 2013 from RMB26,164 million in 2012.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 18.4% to RMB19,819 million in 2014 from RMB16,743 million in 2013, primarily due to (i) an increase in claims along with the growth of business, (ii) the fact that a portion of the claims in relation to natural catastrophes incurred in 2013 were settled in 2014, and (iii) our enhanced reserving for motor and agricultural lines of business after taking into consideration the market-oriented reform of commercial motor insurance and potential impact of natural catastrophes on agricultural insurance, respectively.

Claims and policyholders' benefits increased by 16.8% to RMB16,743 million in 2013 from RMB14,332 million in 2012, primarily due to an increase in claims for P&C reinsurance caused by a continuous increase in the loss ratio of the primary P&C insurance industry from the first half of 2012 to 2013, and the relatively large payment made by us to settle claims relating to the Hynix Case and natural catastrophes including Typhoon Fitow and floods in Northeast China in 2013.

Handling Charges and Commissions

Handling charges and commissions decreased by 1.2% to RMB10,383 million in 2014 from RMB10,510 million in 2013, primarily due to the sliding scale commission recoveries due from the ceding companies to our P&C reinsurance segment in 2014, the effects of which were partially offset by an increase in reinsurance commissions incurred by China Re P&C as a result of the growth in GWPs in 2014, whereas its commission rate remained relatively stable.

Handling charges and commissions increased by 6.6% to RMB10,510 million in 2013 from RMB9,860 million in 2012, primarily due to an increase in reinsurance commissions as a result of the growth in the GWPs for our P&C reinsurance segment. However, we incurred large-sum claims and policyholders' benefits arising from major losses in the primary insurance industry in 2013, which resulted in lower reinsurance commission rates according to the sliding scale commission arrangement provided by reinsurance contracts. As such, our handling charges and commissions in 2013 increased at a relatively low pace.

Finance Costs

Finance costs decreased by 29.5% to RMB43 million in 2014 from RMB61 million in 2013, and decreased by 3.2% to RMB61 million in 2013 from RMB63 million in 2012, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 13.2% to RMB257 million in 2014 from RMB227 million in 2013, which were relatively stable.

Other operating and administrative expenses decreased by 49.9% to RMB227 million in 2013 from RMB453 million in 2012, primarily due to payment in 2012 of stamp duties of reinsurance contracts in preceding years.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 10.8% to RMB30,502 million in 2014 from RMB27,541 million in 2013 and increased by 11.5% to RMB27,541 million in 2013 from RMB24,708 million in 2012.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 24.6% to RMB2,702 million in 2014 from RMB2,168 million in 2013 and increased by 48.9% to RMB2,168 million in 2013 from RMB1,456 million in 2012.

Income Tax

We incurred income tax expense of RMB311 million in 2012, RMB445 million in 2013 and RMB559 million in 2014, respectively. The change in the income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 24.4% to RMB2,143 million in 2014 from RMB1,723 million in 2013 and increased by 50.5% to RMB1,723 million in 2013 from RMB1,145 million in 2012.

Life and Health Reinsurance

The following table sets forth selected income statements data for our life and health reinsurance segment during the Track Record Period, which reflects the results of operations of the relevant life and health reinsurance businesses of China Re Life and our Group Company in the PRC and overseas.

	For the year ended 31 December					For the six months ended 30 June		
	2012	**% change**	**2013**	**% change**	**2014**	**2014**	**% change**	**2015**
	RMB in millions		*RMB in millions*		*RMB in millions*	*RMB in millions (unaudited)*		*RMB in millions*
Gross written premiums	16,057	14.6%	18,394	14.6%	21,081	8,775	77.1%	15,543
Less: premiums ceded to retrocessionaires	(900)	126.2%	(2,036)	24.4%	(2,533)	(1,580)	88.5%	(2,978)
Net written premiums	15,157	7.9%	16,358	13.4%	18,548	7,195	74.6%	12,565
Change in unearned premium reserves	8	(775.0)%	(54)	109.3%	(113)	(81)	153.1%	(205)
Net premiums earned	15,165	7.5%	16,304	13.1%	18,435	7,114	73.7%	12,360
Reinsurance commission income	130	83.8%	239	93.3%	462	229	(53.7)%	106
Investment income	1,472	56.2%	2,299	27.1%	2,921	1,442	157.8%	3,718
Exchange gains/(losses), net	1	3,400.0%	35	(77.1)%	8	7	(228.6)%	(9)
Other income	362	(19.9)%	290	(27.2)%	211	137	(51.8)%	66
Total income	17,130	11.9%	19,167	15.0%	22,037	8,929	81.9%	16,241
Claims and policyholders' benefits	(14,113)	(2.2)%	(13,796)	38.3%	(19,086)	(7,732)	58.6%	(12,261)
Claims incurred	(1,816)	29.8%	(2,358)	20.9%	(2,852)	(1,508)	(6.5)%	(1,410)
Life and health reinsurance death and other benefits paid	(5,936)	30.2%	(7,729)	46.2%	(11,298)	(6,531)	(43.4)%	(3,694)
Change in long-term life and health reinsurance contract liabilities	(6,361)	(41.7)%	(3,709)	33.1%	(4,936)	307	(2,431.3)%	(7,157)
Handling charges and commissions	(2,393)	54.7%	(3,703)	(73.3)%	(990)	(58)	1,498.3%	(927)
Finance costs	(70)	(20.0)%	(56)	(58.9)%	(23)	(4)	825.0%	(37)
Other operating and administrative expenses	(214)	84.6%	(395)	51.6%	(599)	(241)	89.2%	(456)
Total benefits, claims and expenses	(16,790)	6.9%	(17,950)	15.3%	(20,698)	(8,035)	70.3%	(13,681)
Share of profits of associates	—	—	—	—	475	177	122.0%	393
Profit before tax	340	257.9%	1,217	49.1%	1,814	1,071	175.7%	2,953
Income tax	(63)	327.0%	(269)	48.3%	(399)	(212)	229.7%	(699)
Net profit	277	242.2%	948	49.3%	1,415	859	162.4%	2,254

Six Months Ended 30 June 2014 and 2015

Gross Written Premiums

GWPs increased by 77.1% to RMB15,543 million for the six months ended 30 June 2015 from RMB8,775 million for the six months ended 30 June 2014, primarily due to the significant growth in our domestic financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires increased by 88.5% to RMB2,978 million for the six months ended 30 June 2015 from RMB1,580 million for the six months ended 30 June 2014, primarily due to new retrocession arrangements covering savings-type reinsurance business in the first half of 2015.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 74.6% to RMB12,565 million for the six months ended 30 June 2015 from RMB7,195 million for the six months ended 30 June 2014.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB205 million for the six months ended 30 June 2015 and by RMB81 million for the six months ended 30 June 2014, which was in line with the business development and retrocession arrangements during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 73.7% to RMB12,360 million for the six months ended 30 June 2015 from RMB7,114 million for the six months ended 30 June 2014.

Reinsurance Commission Income

Reinsurance commission income decreased by 53.7% to RMB106 million for the six months ended 30 June 2015 from RMB229 million for the six months ended 30 June 2014, primarily due to the higher commission rate for the short-term retrocession arrangement we made in the first half of 2014, whereas our premiums retroceded in the first half of 2015 were mainly from savings-type reinsurance business with lower commission rates.

Investment Income

Investment income increased by 157.8% to RMB3,718 million for the six months ended 30 June 2015 from RMB1,442 million for the six months ended 30 June 2014, primarily due to gains realised by us in light of the significant uptrend in the PRC stock market in the first half of 2015.

Other Income

Other income decreased by 51.8% to RMB66 million for the six months ended 30 June 2015 from RMB137 million for the six months ended 30 June 2014, primarily due to a decrease in interest income from deposits retained by cedants as a result of the termination of certain modified co-insurance contracts in 2014.

Total Income

As a result of the foregoing, total income increased by 81.9% to RMB16,241 million for the six months ended 30 June 2015 from RMB8,929 million for the six months ended 30 June 2014.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 58.6% to RMB12,261 million for the six months ended 30 June 2015 from RMB7,732 million for the six months ended 30 June 2014, primarily due to an increase in the long-term life and health reinsurance contract liabilities, as a result of the growth of our business, and increased payments upon maturity.

Handling Charges and Commissions

Handling charges and commissions increased by 1,498.3% to RMB927 million for the six months ended 30 June 2015 from RMB58 million for the six months ended 30 June 2014, primarily because some of our financial reinsurance contracts were terminated in the first half of 2014 and the relevant reinsurance commissions were refunded to us, which resulted in lower handling charges and commissions in the first half of 2014.

Finance Costs

Finance costs increased by 825.0% to RMB37 million for the six months ended 30 June 2015 from RMB4 million for the six months ended 30 June 2014, primarily due to an increase in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 89.2% to RMB456 million for the six months ended 30 June 2015 from RMB241 million for the six months ended 30 June 2014, primarily due to (i) an increase in business tax and surcharges as a result of an increase in investment income; and (ii) an increase in interest expenses related to investment contract liabilities as a result of the expansion of universal reinsurance business, which was recognised as investment contracts under the criteria of the risk significance test.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 70.3% to RMB13,681 million for the six months ended 30 June 2015 from RMB8,035 million for the six months ended 30 June 2014.

Share of Profits of Associates

Share of profits of associates increased by 122.0% to RMB393 million for the six months ended 30 June 2015 from RMB177 million for the six months ended 30 June 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 175.7% to RMB2,953 million for the six months ended 30 June 2015 from RMB1,071 million for the six months ended 30 June 2014.

Income Tax

We incurred income tax expense of RMB212 million for the six months ended 30 June 2014 and RMB699 million for the six months ended 30 June 2015, respectively. The change in income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 162.4% to RMB2,254 million for the six months ended 30 June 2015 from RMB859 million for the six months ended 30 June 2014.

Years Ended 31 December 2012, 2013 and 2014

Gross Written Premiums

GWPs increased by 14.6% to RMB21,081 million in 2014 from RMB18,394 million in 2013, primarily due to the significant growth in our domestic financial reinsurance business in 2014.

GWPs increased by 14.6% to RMB18,394 million in 2013 from RMB16,057 million in 2012, primarily due to the rapid growth in our cross-border RMB reinsurance business and domestic financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires increased by 24.4% to RMB2,533 million in 2014 from RMB2,036 million in 2013, primarily due to a short-term retrocession arrangement we made in 2014 to improve capital efficiency.

Premiums ceded to retrocessionaires increased by 126.2% to RMB2,036 million in 2013 from RMB900 million in 2012, primarily as we increased retrocession for certain savings-type reinsurance business in order to optimise our business portfolio in 2013.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 13.4% to RMB18,548 million in 2014 from RMB16,358 million in 2013 and increased by 7.9% to RMB16,358 million in 2013 from RMB15,157 million in 2012.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB113 million in 2014, increased by RMB54 million in 2013 and decreased by RMB8 million in 2012, which was in line with our business development and retrocession arrangement during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 13.1% to RMB18,435 million in 2014 from RMB16,304 million in 2013 and increased by 7.5% to RMB16,304 million in 2013 from RMB15,165 million in 2012.

Reinsurance commission income

Reinsurance commission income increased by 93.3% to RMB462 million in 2014 from RMB239 million in 2013, primarily due to the growth of premiums retroceded and the higher commission rates of the new short-term retrocession arrangements we made in 2014.

Reinsurance commission income increased by 83.8% to RMB239 million in 2013 from RMB130 million in 2012, primarily due to the growth of premiums retroceded and the fact that our retrocession arrangements in 2013 were primarily for savings-type reinsurance business with lower commission rates.

Investment Income

Investment income increased by 27.1% to RMB2,921 million in 2014 from RMB2,299 million in 2013 and by 56.2% to RMB2,299 million in 2013 from RMB1,472 million in 2012, primarily because (i) our investment assets steadily increased in line with the growth of our life and health reinsurance segment; (ii) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (iii) in light of the PRC government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; (iv) the equity and bond markets were in an overall uptrend in 2014; and (v) our investments in China Everbright Bank generated investment income.

Exchange Gains/(Losses), net

Exchange gains decreased by 77.1% to RMB8 million in 2014 from RMB35 million in 2013, and increased by 3,400.0% to RMB35 million in 2013 from RMB1 million in 2012, primarily due to changes in the exchange rates.

Other Income

Other income decreased by 27.2% to RMB211 million in 2014 from RMB290 million in 2013, primarily due to a decrease in interest income from deposits retained by cedants as a result of the termination of certain modified co-insurance contracts in 2014.

Other income decreased by 19.9% to RMB290 million in 2013 from RMB362 million in 2012, primarily due to a decrease in interest income from deposits retained by cedants as a result of the termination or maturity of certain modified co-insurance contracts in 2013.

Total Income

As a result of the foregoing, total income increased by 15.0% to RMB22,037 million in 2014 from RMB19,167 million in 2013 and increased by 11.9% to RMB19,167 million in 2013 from RMB17,130 million in 2012.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 38.3% to RMB19,086 million in 2014 from RMB13,796 million in 2013, primarily due to a significant increase in the surrenders of our long-term financial reinsurance business in 2014.

Claims and policyholders' benefits decreased by 2.2% to RMB13,796 million in 2013 from RMB14,113 million in 2012, primarily due to a decrease in the long-term life and health reinsurance contract liabilities as a result of a significant increase in premiums retroceded in 2013.

Handling Charges and Commissions

Handling charges and commissions decreased by 73.3% to RMB990 million in 2014 from RMB3,703 million in 2013, and increased by 54.7% to RMB3,703 million in 2013 from RMB2,393 million in 2012. The fluctuation was primarily due to the contractual arrangements of our financial reinsurance business in different years. The handling charges and commissions were relatively low in 2014, primarily because some of our financial reinsurance contracts were terminated in 2014 and the relevant reinsurance commissions were refunded to us.

Finance Costs

Finance costs decreased by 58.9% to RMB23 million in 2014 from RMB56 million in 2013, and decreased by 20.0% to RMB56 million in 2013 from RMB70 million in 2012, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 51.6% to RMB599 million in 2014 from RMB395 million in 2013, and increased by 84.6% to RMB395 million in 2013 from RMB214 million in 2012, primarily due to an increase in interest expenses related to investment contract liabilities as a result of the expansion of universal reinsurance business, which was recognised as investment contracts under the criteria of the risk significance test. In addition, operating and administrative expenses also increased as a result of the expansion of our life and health reinsurance business.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 15.3% to RMB20,698 million in 2014 from RMB17,950 million in 2013 and increased by 6.9% to RMB17,950 million in 2013 from RMB16,790 million in 2012.

Share of Profits of Associates

Share of profits of associates was RMB475 million in 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 49.1% to RMB1,814 million in 2014 from RMB1,217 million in 2013 and increased by 257.9% to RMB1,217 million in 2013 from RMB340 million in 2012.

Income Tax

We incurred income tax expense of RMB63 million in 2012, RMB269 million in 2013 and RMB399 million in 2014, respectively. The change in the income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 49.3% to RMB1,415 million in 2014 from RMB948 million in 2013 and increased significantly by 242.2% to RMB948 million in 2013 from RMB277 million in 2012.

Primary P&C Insurance

The following table sets forth selected income statements data for our primary P&C insurance segment during the Track Record Period, which reflects the results of operations of China Continent Insurance.

	For the year ended 31 December					For the six months ended 30 June		
	2012	% change	2013	% change	2014	2014	% change	2015
	RMB in millions		*RMB in millions*		*RMB in millions*	*RMB in millions (unaudited)*		*RMB in millions*
Gross written premiums	17,940	11.0%	19,909	12.8%	22,459	11,094	19.8%	13,291
Less: premiums ceded to reinsurers	(1,845)	10.9%	(2,046)	(5.0)%	(1,943)	(1,116)	9.1%	(1,217)
Net written premiums	16,095	11.0%	17,863	14.9%	20,516	9,978	21.0%	12,074
Change in unearned premium reserves	(616)	38.5%	(853)	26.8%	(1,082)	(751)	56.1%	(1,172)
Net premiums earned	15,479	9.9%	17,010	14.3%	19,434	9,227	18.2%	10,902
Reinsurance commission income	630	(0.2)%	629	(1.7)%	618	357	6.2%	379
Investment income	739	21.4%	897	29.3%	1,160	457	290.4%	1,784
Exchange gains/(losses), net	(1)	(100.0)%	—	—	(2)	2	(150.0)%	(1)
Other income	112	(20.5)%	89	42.7%	127	34	32.4%	45
Total income	16,959	9.8%	18,625	14.6%	21,337	10,077	30.1%	13,109
Claims and policyholders' benefits	(9,314)	18.0%	(10,992)	4.4%	(11,473)	(5,478)	10.3%	(6,044)
Claims incurred	(9,314)	18.0%	(10,992)	4.4%	(11,473)	(5,478)	10.3%	(6,044)
Handling charges and commissions	(1,763)	11.0%	(1,957)	14.1%	(2,232)	(1,104)	18.0%	(1,303)
Finance costs	(48)	(14.6)%	(41)	2.4%	(42)	(13)	(23.1)%	(10)
Other operating and administrative expenses	(4,872)	9.8%	(5,350)	20.6%	(6,450)	(2,753)	38.5%	(3,812)
Total benefits, claims and expenses	(15,997)	14.6%	(18,340)	10.1%	(20,197)	(9,348)	19.5%	(11,169)
Share of profits of associates	—	—	—	—	6	—	—	1
Profit before tax	962	(70.4)%	285	302.1%	1,146	729	166.3%	1,941
Income tax	(254)	(81.5)%	(47)	480.9%	(273)	(170)	177.6%	(472)
Net profit	708	(66.4)%	238	266.8%	873	559	162.8%	1,469

Six Months Ended 30 June 2014 and 2015

Gross Written Premiums

GWPs increased by 19.8% to RMB13,291 million for the six months ended 30 June 2015 from RMB11,094 million for the six months ended 30 June 2014, primarily due to a relatively rapid growth of motor, engineering, liability and accident insurance, which was principally driven by China Continent Insurance's increased efforts in expansion of sales channels, sales team and product development, amid the generally steady development of the primary P&C insurance industry in the PRC during the first half of 2015.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers increased by 9.1% to RMB1,217 million for the six months ended 30 June 2015 from RMB1,116 million for the six months ended 30 June 2014, primarily due to an increase in premiums ceded to reinsurers for motor insurance, which grew relatively fast during the first half of 2015.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 21.0% to RMB12,074 million for the six months ended 30 June 2015 from RMB9,978 million for the six months ended 30 June 2014.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB1,172 million for the six months ended 30 June 2015 and by RMB751 million for the six months ended 30 June 2014, which was in line with the growth of premiums and cession arrangements during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 18.2% to RMB10,902 million for the six months ended 30 June 2015 from RMB9,227 million for the six months ended 30 June 2014.

Reinsurance Commission Income

Reinsurance commission income increased by 6.2% to RMB379 million for the six months ended 30 June 2015 from RMB357 million for the six months ended 30 June 2014, which was primarily due to an increase in the premiums ceded to reinsurers. The increase in reinsurance commission income was outpaced by the increase in premiums ceded to reinsurers, primarily due to a decrease in the reinsurance commission rate for motor and liability insurance.

Investment Income

Investment income increased by 290.4% to RMB1,784 million for the six months ended 30 June 2015 from RMB457 million for the six months ended 30 June 2014, primarily due to gains realised by us in light of the significant uptrend in the PRC stock market in the first half of 2015.

Other Income

Other income increased by 32.4% to RMB45 million for the six months ended 30 June 2015 from RMB34 million for the six months ended 30 June 2014.

Total Income

As a result of the foregoing, total income increased by 30.1% to RMB13,109 million for the six months ended 30 June 2015 from RMB10,077 million for the six months ended 30 June 2014.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 10.3% to RMB6,044 million for the six months ended 30 June 2015 from RMB5,478 million for the six months ended 30 June 2014, primarily due to an increase in claims along with the increased scale of the business.

Handling Charges and Commissions

Handling charges and commissions increased by 18.0% to RMB1,303 million for the six months ended 30 June 2015 from RMB1,104 million for the six months ended 30 June 2014, which was in line with the increased scale of the business.

Finance Costs

Finance costs decreased by 23.1% to RMB10 million for the six months ended 30 June 2015 from RMB13 million for the six months ended 30 June 2014, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 38.5% to RMB3,812 million for the six months ended 30 June 2015 from RMB2,753 million for the six months ended 30 June 2014, primarily due to an increase in expenses, which was in line with the increase in the GWPs in the first half of 2015, as well as an increase in the sales expenses as a result of China Continent Insurance's increased efforts to develop high-quality businesses.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 19.5% to RMB11,169 million for the six months ended 30 June 2015 from RMB9,348 million for the six months ended 30 June 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 166.3% to RMB1,941 million for the six months ended 30 June 2015 from RMB729 million for the six months ended 30 June 2014.

Income Tax

We incurred income tax expense of RMB170 million for the six months ended 30 June 2014 and RMB472 million for the six months ended 30 June 2015, respectively. The change in the income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 162.8% to RMB1,469 million for the six months ended 30 June 2015 from RMB559 million for the six months ended 30 June 2014.

Years Ended 31 December 2012, 2013 and 2014

Gross Written Premiums

GWPs increased by 12.8% to RMB22,459 million in 2014 from RMB19,909 million in 2013, and increased by 11.0% to RMB19,909 million in 2013 from RMB17,940 million in 2012, primarily due to a rapid growth of motor, accident and health, credit, engineering and commercial property insurance business, which was principally driven by China Continent Insurance's increased efforts in expansion of sales channels, sales team and product development, amid the generally steady development of the primary P&C insurance industry in the PRC.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers decreased by 5.0% to RMB1,943 million in 2014 from RMB2,046 million in 2013, primarily due to a decrease in the cession ratio for commercial motor insurance.

Premiums ceded to reinsurers increased by 10.9% to RMB2,046 million in 2013 from RMB1,845 million in 2012, primarily due to an increase in the GWPs during the same period, whereas the cession ratio maintained stable.

Net Written Premiums

As a result of the foregoing, net written premiums increased by 14.9% to RMB20,516 million in 2014 from RMB17,863 million in 2013 and increased by 11.0% to RMB17,863 million in 2013 from RMB16,095 million in 2012.

Change in Unearned Premium Reserves

Unearned premium reserves increased by RMB1,082 million in 2014, by RMB853 million in 2013 and by RMB616 million in 2012, which was in line with the growth of premiums and cession arrangements during the same periods.

Net Premiums Earned

As a result of the foregoing, net premiums earned increased by 14.3% to RMB19,434 million in 2014 from RMB17,010 million in 2013 and increased by 9.9% to RMB17,010 million in 2013 from RMB15,479 million in 2012.

Reinsurance Commission Income

Reinsurance commission income decreased by 1.7% to RMB618 million in 2014 from RMB629 million in 2013, which was in line with the cession arrangements during the same periods.

Reinsurance commission income decreased slightly to RMB629 million in 2013 from RMB630 million in 2012. Such change was not in line with the change in premiums ceded to reinsurers during the same periods, primarily due to a decrease in the commission rate which was adjusted according to the arrangement of sliding scale commission in our reinsurance contracts as a result of large-sum claims arising from the Hynix Case and natural catastrophes including Typhoon Fitow in 2013.

Investment Income

Investment income increased by 29.3% to RMB1,160 million in 2014 from RMB897 million in 2013, and increased by 21.4% to RMB897 million in 2013 from RMB739 million in 2012, primarily because (i) our investment assets steadily increased in line with the growth of our primary P&C insurance business; (ii) we realised investment income from available-for-sale financial assets with unrealised gains when the market conditions were favourable; (iii) in light of the PRC government policies of broadening investment channels, we captured opportunities arising from such trend to continuously optimise our investment portfolio and increased our investment in high-yield products (e.g. infrastructure debt investment schemes), subject to our strict risk management policies; and (iv) the equity and bond markets were in an overall uptrend in 2014.

Other Income

Other income increased by 42.7% to RMB127 million in 2014 from RMB89 million in 2013, primarily due to the government grant we received from the Ministry of Commerce for our domestic trade credit insurance business in 2014.

Other income decreased by 20.5% to RMB89 million in 2013 from RMB112 million in 2012, primarily due to one-off gains from our sale of certain properties in 2012.

Total Income

As a result of the foregoing, total income increased by 14.6% to RMB21,337 million in 2014 from RMB18,625 million in 2013 and increased by 9.8% to RMB18,625 million in 2013 from RMB16,959 million in 2012.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 4.4% to RMB11,473 million in 2014 from RMB10,992 million in 2013, primarily due to an increase in claims, which was in line with the growth in GWPs. However, the accident frequency of our motor insurance significantly declined in 2014, principally driven by China Continent Insurance's increased efforts to develop high-quality businesses, as a result of which the growth of the claims and policyholders' benefit in 2014 was slower than the growth of the GWPs.

Claims and policyholders' benefits increased by 18.0% to RMB10,992 million in 2013 from RMB9,314 million in 2012, primarily due to an increase in claims, which was in line with the growth in GWPs. In addition, we recorded a high accident frequency of our motor insurance and an increase in property insurance claims and losses caused by Typhoon Fitow in 2013.

Handling Charges and Commissions

Handling charges and commissions increased by 14.1% to RMB2,232 million in 2014 from RMB1,957 million in 2013, and increased by 11.0% to RMB1,957 million in 2013 from RMB1,763 million in 2012, primarily due to the growth of the scale of business.

Finance Costs

Finance costs increased by 2.4% to RMB42 million in 2014 from RMB41 million in 2013, which were relatively stable.

Finance costs decreased by 14.6% to RMB41 million in 2013 from RMB48 million in 2012, primarily due to a decrease in the average balance of securities sold under agreements to repurchase in 2013.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 20.6% to RMB6,450 million in 2014 from RMB5,350 million in 2013, primarily due to (i) increased expenses, which was in line with the increase in GWPs in 2014, and (ii) an increase in the sales expenses and salary and welfare for our sales force, which was principally driven by China Continent Insurance's increased efforts to develop high-quality businesses and recruit sales personnel, and the adoption of a new sales incentive mechanism.

Other operating and administrative expenses increased by 9.8% to RMB5,350 million in 2013 from RMB4,872 million in 2012, primarily due to increased expenses, which were in line with the increase in GWPs in 2013.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 10.1% to RMB20,197 million in 2014 from RMB18,340 million in 2013 and increased by 14.6% to RMB18,340 million in 2013 from RMB15,997 million in 2012.

Profit Before Tax

As a result of the foregoing, profit before tax increased significantly by 302.1% to RMB1,146 million in 2014 from RMB285 million in 2013 and decreased by 70.4% to RMB285 million in 2013 from RMB962 million in 2012.

Income Tax

We incurred income tax expense of RMB254 million in 2012, RMB47 million in 2013 and RMB273 million in 2014, respectively. The change in our income tax expense was primarily due to the change in taxable income.

Net Profit

As a result of the foregoing, net profit significantly increased by 266.8% to RMB873 million in 2014 from RMB238 million in 2013 and decreased by 66.4% to RMB238 million in 2013 from RMB708 million in 2012.

Asset Management

The following table sets forth selected income statements data for our asset management segment during the Track Record Period, which reflects the results of operations of China Re AMC.

	For the year ended 31 December					For the six months ended 30 June		
	2012	**% change**	**2013**	**% change**	**2014**	**2014**	**% change**	**2015**
	RMB in millions		*RMB in millions*		*RMB in millions*	*RMB in millions (unaudited)*		*RMB in millions*
Investment income	11	9.1%	12	91.7%	23	8	137.5%	19
Exchange gains/(losses), net	—	—	—	—	—	1	(100.0)%	—
Other income	100	72.0%	172	60.5%	276	86	37.2%	118
Total income	111	65.8%	184	62.5%	299	95	44.2%	137
Finance costs	(2)	(50.0)%	(1)	—	(1)	—	—	—
Other operating and administrative expenses	(108)	57.4%	(170)	64.7%	(280)	(94)	33.0%	(125)
Total expenses	(110)	55.5%	(171)	64.3%	(281)	(94)	33.0%	(125)
Profit before tax	1	1,200.0%	13	38.5%	18	1	1,100.0%	12
Income tax	(1)	400.0%	(5)	—	(5)	(1)	300.0%	(4)
Net profit	—	—	8	62.5%	13	—	—	8

Six months ended 30 June 2014 and 2015

Investment Income

Investment income increased by 137.5% to RMB19 million for the six months ended 30 June 2015 from RMB8 million for the six months ended 30 June 2014, primarily due to an increase in the amount of funds available for investment.

Other Income

Other income increased by 37.2% to RMB118 million for the six months ended 30 June 2015 from RMB86 million for the six months ended 30 June 2014, primarily due to an increase in management fees from the other segments of our Group as a result of the increased scale of our internally entrusted assets managed by China Re AMC, and an increase in the management fees from third-party asset management business and from insurance asset management products business.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 33.0% to RMB125 million for the six months ended 30 June 2015 from RMB94 million for the six months ended 30 June 2014, primarily due to increases in labour costs and operating expenses as a result of China Re AMC's active development in a number of business areas, such as insurance asset management products, third-party asset management and alternative investment.

Years Ended 31 December 2012, 2013 and 2014

Investment Income

Investment income increased by 91.7% to RMB23 million in 2014 from RMB12 million in 2013, primarily due to an increase in the amount of funds available for investment by China Re AMC after its shareholders injected an additional RMB300 million into its registered capital.

Investment income increased by 9.1% to RMB12 million in 2013 from RMB11 million in 2012, which remained stable.

Other Income

Other income increased by 60.5% to RMB276 million in 2014 from RMB172 million in 2013, primarily due to an increase in management fees from other segments of our Group as a result of the increased scale of our internally entrusted assets managed by China Re AMC and the increased investment income, and an increase in the management fees for third-party asset management business and from insurance asset management products business.

Other income increased by 72.0% to RMB172 million in 2013 from RMB100 million in 2012, primarily due to an increase in management fees from other segments of our Group and third parties as a result of the increased scale of assets managed by China Re AMC.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 64.7% to RMB280 million in 2014 from RMB170 million in 2013, and increased by 57.4% to RMB170 million in 2013 from RMB108 million in 2012, primarily due to increases in labour costs and operating expenses as a result of China Re AMC's active development in a number of business areas, such as insurance asset management products, third-party asset management and alternative investment.

Others

The following table sets forth selected income statement data for our "others" segment during the Track Record Period.

	For the year ended 31 December					For the six months ended 30 June		
	2012	% change	2013	% change	2014	2014	% change	2015
	RMB in millions		*RMB in millions*		*RMB in millions*	*RMB in millions (unaudited)*		*RMB in millions*
Investment income	788	75.1%	1,380	(5.5)%	1,304	1,100	(17.6)%	906
Exchange gains/(losses), net	1	(1,100.0)%	(10)	(110.0)%	1	3	(100.0)%	—
Other income	223	9.9%	245	6.5%	261	128	16.4%	149
Total income	1,012	59.6%	1,615	(3.0)%	1,566	1,231	(14.3)%	1,055
Finance costs	(61)	(18.0)%	(50)	(56.0)%	(22)	(15)	(13.3)%	(13)
Other operating and administrative expenses	(477)	6.7%	(509)	23.8%	(630)	(216)	105.6%	(444)
Total benefits, claims and expenses	(538)	3.9%	(559)	16.6%	(652)	(231)	97.8%	(457)
Share of profits of associates	—	—	—	—	425	162	78.4%	289
Profit before tax	474	122.8%	1,056	26.8%	1,339	1,162	(23.7)%	887
Income tax	4	(3,525.0)%	(137)	119.0%	(300)	(242)	(14.0)%	(208)
Net profit	478	92.3%	919	13.1%	1,039	920	(26.2)%	679

Six months ended 30 June 2014 and 2015

Investment Income

Investment income decreased by 17.6% to RMB906 million for the six months ended 30 June 2015 from RMB1,100 million for the six months ended 30 June 2014, primarily due to one-off gains in the first quarter of 2014 arising from reclassification of our investment in China Everbright Bank from available-for-sale financial assets to investments in associates.

Other Income

Other income increased by 16.4% to RMB149 million for the six months ended 30 June 2015 from RMB128 million for the six months ended 30 June 2014, primarily due to an increase in the income from our insurance brokerage business.

Total Income

As a result of the foregoing, total income decreased by 14.3% to RMB1,055 million for the six months ended 30 June 2015 from RMB1,231 million for the six months ended 30 June 2014.

Finance Costs

Finance costs decreased by 13.3% to RMB13 million for the six months ended 30 June 2015 from RMB15 million for the six months ended 30 June 2014, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 105.6% to RMB444 million for the six months ended 30 June 2015 from RMB216 million for the six months ended 30 June 2014, primarily due to an increase in administrative expenses, which was in line with the expansion of our businesses.

Share of Profits of Associates

Share of profits of associates increased by 78.4% to RMB289 million for the six months ended 30 June 2015 from RMB162 million for the six months ended 30 June 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax decreased by 23.7% to RMB887 million for the six months ended 30 June 2015 from RMB1,162 million for the six months ended 30 June 2014.

Income Tax

We incurred income tax expense of RMB242 million for the six months ended 30 June 2014 and RMB208 million for the six months ended 30 June 2015, respectively. The change in the income tax expense was primarily due to the change in the taxable income.

Net Profit

As a result of the foregoing, net profit decreased by 26.2% to RMB679 million for the six months ended 30 June 2015 from RMB920 million for the six months ended 30 June 2014.

Years Ended 31 December 2012, 2013 and 2014

Investment Income

Investment income decreased by 5.5% to RMB1,304 million in 2014 from RMB1,380 million in 2013, primarily due to the capital injections by our Group Company in its subsidiaries to support the business development of such subsidiaries and a decrease in dividends distributed by certain subsidiaries, the effects of which were partially offset by income arising from our investment in China Everbright Bank.

Investment income increased by 75.1% to RMB1,380 million in 2013 from RMB788 million in 2012, primarily due to gains from our sale of certain equity securities when the market conditions were favourable.

Other Income

Other income increased by 6.5% to RMB261 million in 2014 from RMB245 million in 2013, and increased by 9.9% to RMB245 million in 2013 from RMB223 million in 2012, primarily due to an increase in income from our insurance brokerage business.

Total Income

As a result of the foregoing, total income decreased by 3.0% to RMB1,566 million in 2014 from RMB1,615 million in 2013 and increased by 59.6% to RMB1,615 million in 2013 from RMB1,012 million in 2012.

Finance Costs

Finance costs decreased by 56.0% to RMB22 million in 2014 from RMB50 million in 2013, and decreased by 18.0% to RMB50 million in 2013 from RMB61 million in 2012, primarily due to a decrease in the average balance of securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 23.8% to RMB630 million in 2014 from RMB509 million in 2013, and increased by 6.7% to RMB509 million in 2013 from RMB477 million in 2012, primarily due to an increase in administrative expenses, which was in line with the expansion of our businesses.

Share of Profits of Associates

Share of profits of associates was RMB425 million in 2014, primarily because we started accounting for our investment in China Everbright Bank as investments in associates at the end of the first quarter of 2014.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 26.8% to RMB1,339 million in 2014 from RMB1,056 million in 2013 and increased by 122.8% to RMB1,056 million in 2013 from RMB474 million in 2012.

Income Tax

Income tax expense was RMB-4 million in 2012, primarily due to impacts from deferred income tax. We incurred income tax expense of RMB137 million in 2013 and RMB300 million in 2014, respectively, primarily affected by the change in taxable income.

Net Profit

As a result of the foregoing, net profit increased by 13.1% to RMB1,039 million in 2014 from RMB919 million in 2013 and increased by 92.3% to RMB919 million in 2013 from RMB478 million in 2012.

CONSOLIDATED GROUP SELECTED FINANCIAL POSITION

Assets

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our total assets amounted to RMB148,029 million, RMB154,829 million, RMB189,675 million and RMB230,794 million, respectively. Our major assets include cash and short-term time deposits, reinsurance debtors, time deposits, available-for-sale financial assets, held-to-maturity investments, investments classified as loans and receivables, statutory deposits and investments in associates.

Cash and Short-term Time Deposits

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our cash and short-term time deposits amounted to RMB2,739 million, RMB7,325 million, RMB7,904 million and RMB8,532 million, respectively. Our cash and short-term time deposits increased by 7.9% from 31 December 2014 to 30 June 2015 and increased by 7.9% from 31 December 2013 to 31 December 2014, primarily reflecting our management of funds. Our cash and short-term time deposits increased by 167.4% from 31 December 2012 to 31 December 2013, primarily due to our management of funds, an increase in our overseas investments and our capital injections into subsidiaries, all of which led to the increase in our short-term time deposits.

Reinsurance Debtors

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our reinsurance debtors amounted to RMB11,769 million, RMB14,903 million, RMB11,734 million and RMB22,886 million, respectively. Our reinsurance debtors increased by 95.0% from 31 December 2014 to 30 June 2015, primarily due to reinsurance debtors recorded as a result of the new large-sum financial reinsurance contracts we entered into for our life and health reinsurance segment. Our reinsurance debtors decreased by 21.3% from 31 December 2013 to 31 December 2014 and increased by 26.6% from 31 December 2012 to 31 December 2013, primarily due to reinsurance debtors recorded as a result of certain large-sum motor reinsurance treaties we entered into in the second half of 2013, which was subsequently settled in 2014. In addition, we strengthened our management of reinsurance debtors and reinsurance payables in 2014, which contributed to the decreases in both during the same year.

Time Deposits

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our time deposits amounted to RMB35,778 million, RMB30,698 million, RMB31,962 million and RMB33,244 million, respectively. Our time deposits as at 30 June 2015 were relatively stable as compared with those as at 31 December 2014 and 31 December 2013, primarily because we mainly allocated incremental cash inflow to investments such as available-for-sale financial assets, long-term equity investment and debt investment schemes. Our time deposits decreased by 14.2% from 31 December 2012 to 31 December 2013, primarily due to the allocation of deposits to other types of assets after maturity of such deposits.

Available-for-sale Financial Assets

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our available-for-sale financial assets amounted to RMB41,861 million, RMB41,731 million, RMB45,934 million and RMB53,125 million, respectively. Our available-for-sale financial assets increased by 15.7% from 31 December 2014 to 30 June 2015, primarily due to new available-for-sale financial assets we acquired and the appreciation in the book value of our remaining available-for-sale financial assets, which was partially offset by the disposal of certain available-for-sale financial assets. Our available-for-sale financial assets increased by 10.1% from 31 December 2013 to 31 December 2014, primarily due to an increase in assets available for investments and allocation of incremental cash inflow to bond and equity investments. In addition, the uptrend of stock market in 2014 led to an increase in book value of equity securities, which, however, was partially offset by the reclassification of our investment in China Everbright Bank from available-for-sale financial assets to investments in associates. Our available-for-sale financial assets as at 31 December 2012 were relatively stable as compared with that as at 31 December 2013, primarily because the available-for-sale financial assets we acquired and disposed of in 2013 were approximately even.

Held-to-maturity Investments

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our held-to-maturity investments amounted to RMB17,039 million, RMB17,891 million, RMB18,186 million and RMB19,025 million, respectively. Our held-to-maturity investments as at 31 December 2012, 2013 and 2014 were relatively stable.

Investments Classified as Loans and Receivables

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our investments classified as loans and receivables amounted to RMB2,960 million, RMB7,380 million, RMB12,945 million and RMB14,040 million, respectively. Our investments classified as loans and receivables increased by 8.5% from 31 December 2014 to 30 June 2015, 75.4% from 31 December 2013 to 31 December 2014 and 149.3% from 31 December 2012 to 31 December 2013, primarily because we increased our investment in products such as debt investment schemes and trust schemes to improve the return on our long-term assets.

Statutory Deposits

According to the CIRC requirements, we designated some time deposits as statutory deposits based on our capital profile. As at 31 December 2012, 2013 and 2014 and 30 June 2015, our statutory deposits amounted to RMB11,810 million, RMB12,980 million, RMB12,180 million and RMB12,455 million, respectively.

Investments in Associates

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our investments in associates amounted to RMB6 million, RMB6 million, RMB7,709 million and RMB8,098 million, respectively. Our investments in associates significantly increased from 31 December 2013 to 31 December 2014, primarily because we reclassified our investment in China Everbright Bank from available-for-sales financial assets to investments in associates.

Liabilities

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our total liabilities amounted to RMB103,759 million, RMB108,941 million, RMB135,040 million and RMB171,187 million, respectively. Our liabilities primarily include securities sold under agreements to repurchase, reinsurance payables, investment contract liabilities and insurance contract liabilities.

Securities Sold under Agreements to Repurchase

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our securities sold under agreements to repurchase amounted to RMB12,742 million, RMB3,481 million, RMB2,309 million and RMB7,377 million, respectively. Our securities sold under agreements to repurchase increased by 219.5% from 31 December 2014 to 30 June 2015, primarily due to an increase in short-term financing according to our business need. Our securities sold under agreements to repurchase decreased by 33.7% from 31 December 2013 to 31 December 2014 and by 72.7% from 31 December 2012 to 31 December 2013, primarily due to a decrease in short-term financing according to our business need.

Reinsurance Payables

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our reinsurance payables amounted to RMB7,713 million, RMB8,792 million, RMB4,698 million and RMB8,012 million, respectively. Our reinsurance payables increased by 70.5% from 31 December 2014 to 30 June 2015, primarily because certain claim bills we received in the first half of 2015, which were related to our reinsurance business in the first quarter of 2015, were not fully paid. Our reinsurance payables decreased by 46.6% from 31 December 2013 to 31 December 2014, primarily because we settled reinsurance payables related to certain large-sum motor reinsurance treaties in 2013 and strengthened the management of our reinsurance debtors and reinsurance payables in 2014, as a result of which both of the reinsurance debtors and reinsurance payables decreased. Our reinsurance payable increased by 14.0% from 31 December 2012 to 31 December 2013, primarily due to the growth of our reinsurance business and an increase in the reinsurance payables arising from the large-sum motor reinsurance treaties in the second half of 2013.

Investment Contract Liabilities

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our investment contract liabilities amounted to RMB1,961 million, RMB5,017 million, RMB21,192 million and RMB37,651 million, respectively. Our investment contract liabilities increased by 77.7% from 31 December 2014 to 30 June 2015, primarily due to an increase in liabilities arising from the growth of our cross-border RMB universal reinsurance business and our undertaking of universal financial reinsurance business in the PRC. Our investment contract liabilities increased by 322.4% from 31 December 2013 to 31 December 2014 and 155.8% from 31 December 2012 to 31 December 2013, primarily due to a significant increase in liabilities related to cross-border RMB universal reinsurance business as a result of our expansion of such business.

Insurance Contract Liabilities

Our insurance contract liabilities include long-term life and health reinsurance contract liabilities, short-term life and health reinsurance contract liabilities, P&C reinsurance contract liabilities and primary P&C insurance contract liabilities. As at 31 December 2012, 2013 and 2014 and 30 June 2015, our insurance contract liabilities amounted to RMB76,130 million, RMB86,998 million, RMB97,246 million and RMB108,502 million, respectively. Our insurance contract liabilities increased by 14.3% from 31 December 2012 to 31 December 2013, 11.8% from 31 December 2013 to 31 December 2014 and 11.6% from 31 December 2014 to 30 June 2015.

(1) *Long-term life and health reinsurance contract liabilities*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our long-term life and health reinsurance contract liabilities amounted to RMB34,263 million, RMB38,898 million, RMB44,576 million and RMB53,938 million, respectively. Our long-term life and health reinsurance contract liabilities increased by 21.0% from 31 December 2014 to 30 June 2015, 14.6% from 31 December 2013 to 31 December 2014 and 13.5% from 31 December 2012 to 31 December 2013, primarily due to the growth of our life and health reinsurance business.

(2) *Short-term life and health reinsurance contract liabilities*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our claim reserves for short-term life and health reinsurance amounted to RMB1,664 million, RMB2,081 million, RMB2,736 million and RMB2,736 million, respectively. Our claim reserves for short-term life and health reinsurance remained relatively stable as at 31 December 2014 and 30 June 2015, primarily because the impacts on such claims reserves arising from the growth of our short-term life and health reinsurance business and from the settlement of certain contracts upon maturity offset each other. Our claim reserves for short-term life and health reinsurance increased by 31.5% from 31 December 2013 to 31 December 2014 and 25.1% from 31 December 2012 to 31 December 2013, primarily due to the growth of our short-term life and health reinsurance business.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our unearned premium reserves for short-term life and health reinsurance amounted to RMB677 million, RMB750 million, RMB862 million and RMB1,095 million, respectively. Our unearned premium reserves for short-term life and health reinsurance increased by 27.0% from 31 December 2014 to 30 June 2015, 14.9% from 31 December 2013 to 31 December 2014 and 10.8% from 31 December 2012 to 31 December 2013, primarily due to the growth of our short-term life and health reinsurance business.

(3) *P&C reinsurance contract liabilities*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our claim reserves for P&C reinsurance amounted to RMB18,129 million, RMB19,767 million, RMB22,384 million and RMB22,096 million, respectively. Our claim reserves for P&C reinsurance decreased by 1.3% from 31 December 2014 to 30 June 2015, primarily due to a decrease in premiums of our P&C reinsurance business. Our claim reserves for P&C reinsurance increased by 13.2% from 31 December 2013 to 31 December 2014 and 9.0% from 31 December 2012 to 31 December 2013, primarily due to an increase in premiums of our P&C reinsurance business.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our unearned premium reserves for P&C reinsurance amounted to RMB8,458 million, RMB10,227 million, RMB9,775 million and RMB9,742 million, respectively. Our unearned premium reserves for P&C reinsurance decreased by 0.3% from 31 December 2014 to 30 June 2015, primarily due to a decrease in premiums of our P&C reinsurance business. Our unearned premium reserves for P&C reinsurance decreased by 4.4% from 31 December 2013 to 31 December 2014, primarily due to (i) a relatively small increase in unearned premium reserves for P&C reinsurance resulting from slow premium growth in 2014, and (ii) unearned premium reserves for large-sum motor reinsurance retained in the second half of 2013 which was released in 2014. Our unearned premium reserves for P&C reinsurance increased by 20.9% from 31 December 2012 to 31 December 2013, primarily due to the increase in our premiums.

(4) *Primary P&C insurance contract liabilities*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our claim reserves for primary P&C insurance amounted to RMB5,660 million, RMB7,146 million, RMB7,698 million and RMB8,388 million, respectively. Our claim reserves for primary P&C insurance increased by 9.0% from 31 December 2014 to 30 June 2015, 7.7% from 31 December 2013 to 31 December 2014 and 26.3% from 31 December 2012 to 31 December 2013, primarily due to the growth of premiums. In 2013, the rapid increase in the claim reserves for primary P&C insurance was in line with the relatively high loss ratio of the entire primary P&C insurance industry in 2013. In 2014, China Continent Insurance optimised its business portfolio and devoted more efforts to developing high-quality businesses. As a result, the loss ratio decreased significantly and the growth rate of claim reserves was relatively slow.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our unearned premium reserves for primary P&C insurance amounted to RMB7,279 million, RMB8,129 million, RMB9,215 million and RMB10,507 million, respectively. Our unearned premium reserves for primary P&C insurance increased by 14.0% from 31 December 2014 to 30 June 2015, 13.4% from 31 December 2013 to 31 December 2014 and 11.7% from 31 December 2012 to 31 December 2013, primarily due to the growth of premiums.

LIQUIDITY AND CAPITAL RESOURCES

Our Company manages liquidity and capital resources on a consolidated basis. Our Company's businesses are conducted primarily through operating subsidiaries in which our Company holds controlling interests. The cash flows of our Company are primarily derived from reinsurance business, dividends from the operating subsidiaries and associates and other investment income.

The principal sources of funds of our Group include premiums from our reinsurance and primary insurance businesses, investment income and cash inflow from the sale or maturity of investment products. The funds of our Group are primarily used to:

- pay the P&C reinsurance claims and life and health reinsurance claims and the related expenses;
- pay the primary P&C insurance claims and the related loss adjustment expenses;
- pay premiums to reinsurers and retrocessionaires; and
- pay other operating costs.

During the operations of our reinsurance and insurance businesses, as most premiums are collected before payments of policy benefits or claims, we are able to generate cash inflows through operating activities in general. The cash inflows generated from our operating activities, together with the cash and liquid securities held in our investment portfolio, can meet the liquidity requirements of our operating activities.

The following table sets forth our cash flows for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	(RMB in millions)				
				(unaudited)	
Net cash flows (used in)/from operating activities	11,136	9,225	8,750	3,788	(697)
Net cash flows (used in)/from investing activities	(16,718)	4,985	(7,970)	(1,692)	(3,763)
Net cash flows (used in)/from financing activities	4,520	(9,542)	(1,742)	(1,028)	4,999
Cash and cash equivalents at the end of the year/period	2,789	7,396	6,371	8,519	6,898

Net cash inflows from operating activities for the six months ended 30 June 2014 were RMB3,788 million, whereas net cash outflows in operating activities for the six months ended 30 June 2015 were RMB697 million. This change was primarily due to net cash outflows in our life and health reinsurance segment and P&C reinsurance segment in the first half of 2015, which was partially offset by an increase in net cash inflows from our primary P&C insurance segment in the first half of 2015. The net cash outflows in our life and health reinsurance segment in the first half of 2015 were primarily due to large-sum retrocessions covering savings-type reinsurance business, and a higher amount of income tax prepaid as a result of increased profit before tax, which was driven by increased investment income in the first half of 2015. The net cash outflows in our P&C reinsurance segment in the first half of 2015 were primarily due to (i) a decrease in premiums due to decreased premiums in our domestic motor line of business, (ii) a higher amount of claim payments we made in the first quarter of 2015, including the claim payments for the Hynix Case, and (iii) a higher amount of income tax prepaid as a result of increased profit before tax, which was driven by increased investment income in the first half of 2015. Net cash inflows from operating activities in 2013 and 2014 were RMB9,225 million and RMB8,750 million, respectively. Net cash inflows from operating activities decreased from 2013 to 2014, primarily due to a decrease in net cash inflows from our life and health reinsurance segment, which was principally driven by decreased cash generated from our cross-border RMB reinsurance business and cash outflow as a result of our retrocession arrangements. The foregoing effects were partially offset by increases in cash inflows from our P&C reinsurance segment and primary P&C insurance segment. Net cash inflows from operating activities in 2012 and 2013 were RMB11,136 million and RMB9,225 million, respectively. Net cash inflows from operating activities decreased from 2012 to 2013, primarily because our domestic P&C reinsurance business had a relatively high claim payment in 2013, the effects of which were partially offset by increases in the net cash inflows from our life and health reinsurance segment and primary P&C insurance segment.

Net cash outflows in investing activities for the six months ended 30 June 2014 and 2015 were RMB1,692 million and RMB3,763 million, respectively. This increase was primarily due to our increased investments in financial assets in response to market conditions. Net cash outflows in investing activities in 2014 were RMB7,970 million, primarily due to our increased scale of investment assets as a result of our business expansion. Net cash inflow from investing activities in 2013 were RMB4,985 million, primarily due to cash generated from our disposal of certain investment assets in order to repay securities sold under agreements to repurchase. Net cash outflows in investing activities in 2012 were RMB16,718 million, primarily due to our increased scale of investment assets as a result of our business expansion.

Net cash outflows in financing activities for the six months ended 30 June 2014 were RMB1,028 million, whereas net cash inflows from financing activities for the six months ended 30 June 2015 were RMB4,999 million, which was primarily because we increased our securities sold under agreements to repurchase. Net cash outflows in financing activities in 2013 and 2014 were RMB9,542 million and RMB1,742 million, respectively, primarily due to a decrease in our securities sold under agreements to repurchase in 2014, which were recorded as cash outflows used in financing activities. Net cash inflows from financing activities in 2012 were RMB4,520 million, primarily because we increased our securities sold under agreements to repurchase to meet our business needs.

Solvency Margin Ratio

Solvency margin ratio is a measurement of solvency for PRC insurance companies (including reinsurance companies) and is calculated by dividing the actual capital by a statutory minimum capital requirement. Actual capital is the difference between an insurance company's admitted assets and admitted liabilities. Minimum capital requirement is the amount of capital that an insurance company must maintain to respond to the adverse impact of asset risks and underwriting risks on its solvency margin. The CIRC requires insurance companies to calculate their minimum capital requirement and actual capital and to assess solvency margin ratio on a regular basis.

Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. Accordingly, our Company and each of our reinsurance and insurance subsidiaries (including China Re P&C, China Re Life and China Continent Insurance), taken as a whole Group and individually, are required to comply with solvency margin ratio requirements. Based on their solvency margins, the CIRC classifies insurance companies into three categories:

- Inadequate Solvency: insurance companies with a solvency margin ratio less than 100%;
- Adequate Solvency I: insurance companies with a solvency margin ratio between 100% and 150%; and
- Adequate Solvency II: insurance companies with a solvency margin ratio higher than 150%.

Pursuant to regulatory requirements of the CIRC, if the solvency margin ratio falls between 100% and 150%, the CIRC may require the insurance company to submit and implement an insolvency prevention plan and distribute profits based on the lower of the distributable profits determined under the PRC GAAP and the remaining consolidated income determined under the Solvency Reporting Standards for Insurance Companies. If the solvency margin ratio falls below 100%, the CIRC may take regulatory measures, among others, such as ordering the insurance company to increase its capital or restrict its distribution of dividends, and limit its scope of investments and ability to establish new branch entities. For a detailed description of the solvency margin requirements, please refer to "Supervision and Regulation — PRC Regulatory Overview — Solvency Management."

We increase our solvency margin ratio by achieving profitability, reasonably ceding premiums to reinsurers and timely and adequately enhancing our capital base. Please refer to "Risk Factors — Risks Relating to Our Business — If we do not meet solvency margin ratio requirements, we could be subject to regulatory sanctions and could be forced to change our business strategies or slow down our growth."

The following table sets forth solvency margin ratios of our Group, the Group Company and each of our reinsurance and insurance subsidiaries as at the dates indicated:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
Solvency margin ratio(1)				
Group	381%	324%	248%	253%
Group Company	8,108%	11,003%	16,309%	8,684%
China Re P&C	180%	159%	217%	290%
China Re Life	202%	174%	271%	243%
China Continent Insurance	192%	160%	228%	240%

Note:

(1) The solvency margin ratio is calculated in accordance with the applicable CIRC guidelines and based on the PRC GAAP.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the solvency margin ratio of our Group was 381%, 324%, 248% and 253%, respectively. Our Group's solvency margin ratio remained relatively stable as at 31 December 2014 and 30 June 2015. The decrease in solvency margin ratio as at 31 December 2014 as compared to 31 December 2013 was primarily because we achieved steady increases in premiums across our business segments, and the minimum capital requirement for our businesses increased accordingly. In addition, China Everbright Bank fell in the consolidation scope of the solvency report of our Group as an associate according to the Rules on Enterprise Solvency Report of the CIRC after it became our associate, and contributed to a decrease in our Group's solvency margin ratio as at 31 December 2014. The decrease in solvency margin ratio as at 31 December 2013 as compared to 31 December 2012 was primarily because the increase in minimum capital requirements, which was principally driven by steady increases in premiums across our business segments, outpaced the increase in our actual capital.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the solvency margin ratio of our Group Company was 8,108%, 11,003%, 16,309% and 8,684%, respectively. The decrease in solvency margin ratio as at 30 June 2015 as compared to 31 December 2014 was primarily due to a significant increase in the minimum capital requirement of our Group Company as a result of a new large-sum retrocession contract our Group Company entered into with China Re P&C in the first half of 2015, whereas the increase in our Group Company's actual capital was moderate. The continued increase in solvency margin ratio from 31 December 2012 to 31 December 2013 and further to 31 December 2014 was primarily due to (i) our Group Company adopts equity method to account for its subsidiaries and associates in its solvency report, as a result of which the improved profitability of its subsidiaries and associates drove the relatively rapid increase in the equity interest held by our Group Company, leading to a relatively rapid increase in our Group Company's actual capital; (ii) an increase in our Group Company's actual capital as a result of an increase in its investment income; and (iii) decreases in the minimum capital requirement of our Group Company in 2013 and 2014 as a result of a decline in the claims arising from its legacy P&C reinsurance business during the same periods.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the solvency margin ratio of China Re P&C was 180%, 159%, 217% and 290%, respectively. The increase in solvency margin ratio as at 30 June 2015 as compared to 31 December 2014 was primarily due to a significant increase in the actual capital of China Re P&C, which was principally driven by the relatively high investment income and the underwriting profits, while the minimum capital requirement decreased due to a decrease in retained premiums. The increase in solvency margin ratio as at 31 December 2014 as compared to 31 December 2013 was primarily due to a significant increase in the actual capital of China Re P&C, which was principally driven by its improved underwriting performance, an increase in the unrealised gains of available-for-sale financial assets and a capital injection by its shareholder, while the minimum capital requirement remained relatively stable due to a slowdown in the growth of retained premiums. The decrease in solvency margin ratio as at 31 December 2013 as compared to 31 December 2012 was primarily due to a slower increase in the actual capital of China Re P&C, as a result of an underwriting loss recorded under the statutory solvency reporting standards and an unrealised loss of fixed income assets classified as available-for-sale financial assets, caused by an increase in interest rate in the second half of 2013, while the minimum capital requirement had a relatively substantial increase driven by an increase in retained premiums.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the solvency margin ratio of China Re Life was 202%, 174%, 271% and 243%, respectively. The decrease in solvency margin ratio as at 30 June 2015 as compared to 31 December 2014 was primarily because the increase in the minimum capital requirement of China Re Life outpaced the increase in its actual capital, as a result of the rapid business expansion of China Re Life. The increase in solvency margin ratio as at 31 December 2014 as compared to 31 December 2013 was primarily because the increase in the actual capital of China Re Life, which was principally driven by its improved underwriting performance and an increase in the investment income under the statutory solvency reporting standards, significantly outpaced the increase in the minimum capital requirement caused by our business expansion. The decrease in solvency margin ratio as at 31 December 2013 as compared to 31 December 2012 was primarily due to a rapid growth in minimum capital requirement as a result of our business expansion.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the solvency margin ratio of China Continent Insurance was 192%, 160%, 228% and 240%, respectively. The increase in solvency margin ratio as at 30 June 2015 as compared to 31 December 2014 was primarily because the increase in the actual capital of China Continent Insurance, which was principally driven by the relatively high investment income and the underwriting profit in the first half of 2015, outpaced the increase in minimum capital requirement. The increase in solvency margin ratio as at 31 December 2014 as compared to 31 December 2013 was primarily due to an increase in actual capital as a result of a shareholder capital injection. The decrease in solvency margin ratio as at 31 December 2013 as compared to 31 December 2012 was primarily because the increase in the minimum capital requirement outpaced the increase in the actual capital as a result of the underwriting losses recorded by China Continent Insurance in 2013.

Indebtedness

As at 31 August 2015, we had no outstanding bank loan and no outstanding bonds issued by us.

Unless otherwise disclosed in this prospectus, as at 31 August 2015, we did not have any material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any material guarantees, other material contingent liabilities, or any material covenants relating to outstanding debts, guarantees or other contingent liabilities.

Our Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 August 2015.

As at the Latest Practicable Date, we did not have any external debt financing plan other than those relating to our ordinary course of business.

Contractual Obligations

During the Track Record Period, other than contractual obligations under insurance and reinsurance contracts and investment contracts we entered into in our ordinary course of business and those disclosed in this prospectus, our contractual obligations primarily included capital commitments and operating lease commitments. Capital commitments primarily consisted of investment commitments for various equity investment funds according to investment contracts we entered into with such equity investment funds, property investment commitments for purchase of investment properties, fixed assets commitment for purchase of properties and commitment for purchase of some intangible assets. Operating lease commitments primarily included operating leases we entered into for leasing of some office properties and equipment.

The following table sets forth our contractual obligations, other than contractual obligations under insurance and reinsurance contracts we entered into in our ordinary course of business, as at the dates indicated:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RMB in millions)			
Capital commitments				
Contracted for:				
Intangible assets commitments	1	1	13	12
Investment property commitments	—	—	558	279
Property and equipment commitments	46	9	—	—
Investment commitments	—	372	928	806
Authorised but not contracted for:				
Investment commitments	—	—	301	201
Total	47	382	1,800	1,298
Operating lease commitments				
Within 1 year	117	164	167	193
1 to 2 years	62	112	132	161
2 to 3 years	33	58	82	98
3 to 5 years	29	47	64	78
Over 5 years	2	26	47	44
Total	243	407	492	574

Contingent Liabilities

During the Track Record Period and up to 31 August 2015, our contingent liabilities were primarily related to our outstanding guarantees, which included:

(i) As at 31 December 2012, 2013 and 2014, 30 June 2015 and 31 August 2015, we provided maritime guarantees to domestic and foreign ship mutual assurance associations or foreign insurance companies with an effective balance of RMB1,606 million, RMB1,913 million, RMB2,006 million, RMB1,772 million and RMB1,874 million, respectively. These domestic and foreign ship mutual assurance associations or foreign insurance companies provided 100% counter guarantees for the above maritime guarantees; and

(ii) As at 31 December 2012, 2013 and 2014, 30 June 2015 and 31 August 2015, we provided letter of credit to Lloyd's of GBP33 million, GBP33 million, GBP80 million, GBP80 million and GBP 80 million to support the underwriting business of China Re Syndicate 2088.

Off-balance-sheet Arrangement

As at 30 June 2015, we did not have any material off-balance sheet guarantees due to be recorded under IFRS, other than those disclosed in this prospectus.

RELATED PARTY TRANSACTIONS

For details of our related party transactions, please refer to Note 49 to "Appendix I — Accountants' Report" to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The market risks we face primarily include interest rate risk, exchange rate risk and price risk, representing risks that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market interest rates, foreign exchange rates and market prices.

We have adopted various measures to manage our market risks, including sensitivity analysis, VaR analysis, stress test, scenario analysis and other quantitative model, and have mitigated our market risks through diversified investment portfolios. We also set proper risk tolerance levels according to our development goals and take the initiative to track the results of risk control to keep the market risks within an acceptable range.

Our interest rate risks arise primarily from financial instruments (including cash and short-term time deposits, time deposits and debt investments). Financial instruments with fixed and floating interest rates are associated with interest rate risks relating to the fair value of such financial instruments and cash flow, respectively.

Our exchange rate risks arise primarily from the holding of monetary financial instruments denominated in foreign currencies, primarily including cash and short-term time deposits, time deposits, debt investments, reinsurance debtors and reinsurance payables.

Our price risks primarily relate to stock and fund investments, and the value of such investments are affected by the changes in market prices.

Risk Exposure Estimates

We conduct risk analysis to analyse the implications of changes in market conditions on our investment assets and measure the changes in interest income and the potential loss in the fair values of market-sensitive investment assets, resulting from hypothetical changes in interest rates, share price and foreign exchange rates at a particular point in time.

In respect of interest rate risk, we estimate equity and net profit sensitivity by assuming an increase or decrease of 50 basis points in the fixed interest rate and floating interest rate. Assuming an increase of 50 basis points in the interest rate of trading financial assets, our equity and net profit as at 31 December 2012, 2013 and 2014 and 30 June 2015 would have decreased by RMB27 million, RMB21 million, RMB10 million and RMB9 million, respectively. Assuming an increase of 50 basis points in the interest rate of available-for-sale financial assets, our equity as at 31 December 2012, 2013 and 2014 and 30 June 2015 would have decreased by RMB653 million, RMB432 million, RMB506 million and RMB538 million, respectively, while the net profit would not be affected. Assuming a decrease of 50 basis points in the interest rate of floating-rate bonds, our equity and net profit as at 31 December 2012, 2013 and 2014 and 30 June 2015 would have decreased by RMB46 million, RMB20 million, RMB12 million and RMB13 million, respectively. Assuming a decrease of 50 basis points in the interest rate of floating-rate deposits, our equity and net profit as at 31 December 2012, 2013 and 2014 and 30 June 2015 would have decreased by RMB9 million, RMB5 million, RMB5 million and RMB4 million, respectively.

In respect of exchange rate risk, we estimate foreign exchange rate risk sensitivity by assuming a 5% depreciation or appreciation in all non-Renminbi currency exchange rates against the Renminbi. If non-Renminbi currencies depreciate against the Renminbi, the carrying value of our non-Renminbi-denominated time deposits, cash and cash equivalents and other assets will decrease. As at 31 December 2012, 2013 and 2014 and 30 June 2015, if the U.S. dollar had strengthened or weakened by 5% against RMB, with all other variables being constant, our equity and net profit would have decreased or increased by RMB49 million, RMB26 million, RMB79 million and RMB126 million, respectively. As at 31 December 2012, 2013 and 2014 and 30 June 2015, if the Hong Kong dollar had strengthened or weakened by 5% against RMB, with all other variables being constant, our equity and net profit would have increased or decreased by RMB75 million, RMB216 million, RMB91 million and RMB152 million, respectively. As at 31 December 2012, 2013 and 2014 and 30 June 2015, if the GBP had strengthened or weakened by 5% against RMB, with all other variables being constant, our equity and net profit would have increased or decreased by RMB2 million, RMB1 million, RMB10 million and RMB10 million, respectively. These fluctuations were primarily due to foreign exchange losses or gains from the translation of financial assets denominated in the U.S. dollar, Hong Kong dollar and GBP.

In respect of price risks, we adopt VaR analysis to evaluate the possible losses relating to the risks of stock and fund prices measured by means of fair value. We monitor the price fluctuations-related risks every day. The VaR is calculated for a 250 trading-day time horizon and 95% confidence. Using the VaR technique and based on the assumptions above, as at 31 December 2012, 2013 and 2014 and 30 June 2015, the VaR of our financial assets at fair value through profit or loss was RMB3 million, RMB14 million, RMB10 million and RMB46 million, respectively, and the VaR of our available-for-sale financial assets was RMB289 million, RMB256 million, RMB210 million and RMB337 million, respectively.

While we have conducted our risk analysis based on simplified assumptions, we believe that they provide a useful framework for understanding our risk management analysis and strategies. For details about estimation of market risk exposure, please refer to Note 46(2)(b) to "Appendix I — Accountants' Report" to this prospectus.

Limitations of Risk Exposure Estimates

While we strive to achieve an effective estimation of market risk exposure, we recognise that there are certain limitations in the use of risk exposure estimates. Most of our assets are exposed to market risks resulting from unforeseeable and possibly sudden fluctuations of interest rates, foreign exchange rates and market price. Risk exposure analysis is a measurement of quantitative risks at a certain moment. It describes the potential investment losses based on a series of assumptions and parameters. Although we make our best efforts to achieve a reasonable result through our analysis, there may be considerable discrepancies with actual future losses.

In VaR analysis, the VaR estimates may vary drastically based on the assumptions and probabilities used. The distribution of past changes in market risk factors may not produce accurate predictions of future market risk. In certain market circumstances, the losses might be underestimated. Moreover, VaR calculated for a 250 trading-day time horizon and 95% confidence does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within 250 trading days.

Changes of prices in a diversified portfolio consisting of different assets have offsetting effects because different assets may revalue in different directions or in different magnitudes in response to market changes. We have only taken into account the generalised assumptions of VaR and sensitivity analysis in our risk estimates. As such, the actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, our risk exposure analysis is based on a certain point in time. As bonds mature or are sold and purchased, or as other investment assets change, the composition of our investment portfolio and the actual risks and sensitivity of our portfolio may change dynamically. The estimate at any particular point in time may not reflect such dynamic changes.

DIVIDEND POLICY

In accordance with the PRC Company Law and our Articles of Association, our dividend distribution plan is formulated by our Board, and after it is approved by two-thirds or more of the Directors, it is submitted to a Shareholders' general meeting for consideration where it must be passed by a number of votes representing more than half of the voting rights of the Shareholders in attendance. Any final dividend for a given fiscal year will be subject to approval at a Shareholders' general meeting. All of our Shareholders have equal rights to dividends and their distributions, and our dividends will be distributed on a pro-rata basis.

While formulating the dividend distribution plan, our Board fully considers the following factors:

- statutory and regulatory requirements for insurance companies in the PRC, including the CIRC's statutory solvency requirements and any statutory and regulatory restrictions on the payment of dividends by us;
- our Shareholders' interests and desires;
- our financial position, including our results of operations and cash flows;

- our business development needs and plans for future development; and
- other factors that our Board deems relevant.

In addition, the CIRC can restrict any insurance company that has a solvency margin ratio lower than 100% from paying dividends to its shareholders. For an insurance company with a solvency margin ratio between 100% and 150%, the CIRC can also impose requirements or take actions that may affect that insurance company's ability to pay dividends or to make other forms of distributions. Please refer to "Supervision and Regulation — PRC Regulatory Overview — Solvency Management."

In accordance with the relevant requirements of the PRC Company Law, our Articles of Association and other regulations, we distribute our profits after tax in the following order:

- recovery of losses incurred from previous years, if any;
- allocation to statutory reserve of 10% of our profit, which is required until the amount in the statutory reserve has reached 50% of our registered capital;
- allocation to general risk reserve in accordance with relevant requirement (the "general reserve");
- allocation to discretional reserve, which requires the Shareholders' approval; and
- payment of dividends to Shareholders.

A special pre-IPO dividends (the "special pre-IPO dividends") distribution plan was approved at our Company's third extraordinary general meeting of 2015 held on 26 June 2015. We will distribute all the accumulated distributable retained profits of our Company (the lesser of the accumulated distributable retained profits of our Company as shown in our Company's financial statements under the PRC GAAP and those as shown in our Company's financial statements under the IFRS, after deducting the statutory reserve and general reserve (to be determined in accordance with the PRC GAAP) as required under PRC law) as at the last calendar day of the calendar month immediately prior to the Listing ("the special dividend cut-off date", including the last calendar day) to our Company's Shareholders of record as at the special dividend cut-off date based on their respective shareholding percentages. The specific amount of the special pre-IPO dividends will be determined and distributed based on the audited results. Our preliminary estimate of the special pre-IPO dividends would amount to approximately RMB3,400 million, which would be further adjusted based on the aforementioned audited results. We will make an announcement regarding the actual amount of the special pre-IPO dividends after the Listing. The existing and new Shareholders after the Global Offering will be entitled to participate in the accumulated distributable retained profits of our Company in proportion to their shareholdings after the above distribution.

Our Company's dividend policy may be adjusted in accordance with the relevant procedures set forth in the applicable laws, regulations and rules if there is any significant change on the external business environment or our Group's internal operations. The relevant adjustments to the profit distribution plan must be approved by our Board and passed at a Shareholders' meeting.

Our Company may distribute dividends in the form of cash, shares or a combination of cash and shares. Our Company's distribution of retained profits will be determined in accordance with (i) the PRC GAAP and relevant laws and regulations or (ii) IFRS or other accounting standards applicable in overseas listings, whichever results in lower retained profits. We are not allowed to distribute profits to our Company's Shareholders if our Company's solvency margin ratio does not meet regulatory requirements. Our Company's dividend policy currently does not include a specific dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 30 June 2015, our Company's retained profit distributable to shareholders under the IFRS and the PRC GAAP was RMB3,602 million (before deduction of statutory reserve and general reserve of the six months ended 30 June 2015). A special pre-IPO dividends distribution plan was approved at our Company's third extraordinary general meeting of 2015 held on 26 June 2015. For details, please refer to "— Dividend Policy."

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB346 million (based on the mid-point of the indicative price range of the Global Offering and the assumption that Over-allotment Option is not exercised), of which approximately RMB325 million is directly attributable to issuance of H Shares to the public and will be deducted from equity upon the Listing, and approximately RMB21 million will be recognised as other operating and administrative expenses for the year ending 31 December 2015. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending 31 December 2015. We did not recognise any listing expenses during the Track Record Period.

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

WORKING CAPITAL

We are of the view that, after due and careful enquiry and taking into account the financial resources available to us, including our internally generated funds and the estimated net proceeds of the Global Offering, we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus, including the payments of the special pre-IPO dividends and losses in connection with the 2015 Tianjin Explosions.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to "Appendix II — Unaudited Pro Forma Financial Information."

BUSINESS INTERRUPTION

There was no interruption in our business that may have or have had a significant effect on our financial position in the 12 months prior to the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the adverse impact that the 2015 Tianjin Explosions will have on our net profit for 2015, there has been no material adverse change in the financial or trading position of the Company since 30 June 2015 and up to the date of this prospectus.

SUBSEQUENT EVENTS

Pursuant to the resolution of our Company's general meeting of Shareholders on 26 June 2015, we will pay special pre-IPO dividends. Please refer to "— Dividend Policy" for details.

On 12 August 2015, massive fires and explosions originating from a hazardous materials warehouse struck the port area of Tianjin, China, causing hundreds of casualties (including over 160 confirmed fatalities as at the Latest Practicable Date) and extensive property damage. Based on information available to us as at the Latest Practicable Date, we expect that our aggregate pre-tax losses arising from the 2015 Tianjin Explosions, net of estimated recoveries from reinsurance and retrocession (including excess of loss coverage) and estimated sliding scale commission adjustments, could range from approximately RMB900 million to approximately RMB1,100 million. These estimated losses are primarily attributable to the commercial property and cargo lines of business in our P&C reinsurance segment and the commercial property, cargo and motor lines of business in our primary P&C insurance segment. While we believe that our preliminary estimates are reasonably made under the current circumstances, we cannot assure you that the amount of our actual losses in connection with the 2015 Tianjin Explosions will be within the range of our current estimates. For further details about the 2015 Tianjin Explosions, please refer to the section headed "Summary — Recent Developments and No Material Adverse Changes — 2015 Tianjin Explosions" and "Risk Factors — Risks Relating to Our Business — Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition."

In order to provide investors with a supporting tool to understand our economic value and business results, we have disclosed the information on the Group's Embedded Value below. As standards for the disclosure of Embedded Value continue to develop internationally and in the People's Republic of China, the form and content of our presentation of the Group's Embedded Value may change. The Group has also disclosed the value of one year's new business of the Group's life and health reinsurance business. Due to the technical complexity involved with these calculations, and the fact that these estimates may also vary materially with changes in key assumptions, investors should read the following explanation in its entirety and in conjunction with the report of Ernst & Young, an independent firm of consulting actuaries, set forth in "Appendix III — Actuarial Consultants' Report" in this prospectus, pay attention to the interpretations of Embedded Value and seek advice from experts familiar with the interpretations of these values. Please also refer to both the sections entitled "Forward-Looking Statements" and "Risk Factors — Risks Relating to Our Business — Our embedded value and the value of one year's new business of our life and health reinsurance business are calculated based on a number of assumptions used in their respective calculations and may vary significantly as those assumptions are changed."

The consolidated financial statements of the Group included in the Accountants' Report set forth in Appendix I to this prospectus are prepared in accordance with the relevant requirements of IFRS. These statements measure the results of operations of the Group for a specific time period. An alternative method of measuring the value and profitability of a company operating life and health insurance/reinsurance related business is the Embedded Value method. Embedded Value is the estimate of the economic value of the life and health insurance/reinsurance business of an insurance/reinsurance company. It is an assessment applying actuarial techniques that relies on a full set of assumptions as to future conditions, excluding any value generated by the sales of future new business. While under IFRS, there is a lag time between the sale of policies and the recognition of profits, Embedded Value recognises the contribution of future profits from existing policies as at the date of the Embedded Value calculation. Since life and health insurance/reinsurance businesses usually extend over more than one financial year, Embedded Value is a technique that attempts to quantify the total financial impact of these businesses, including the impact in future years, in order to provide an alternative assessment of potential shareholders' value.

To assess the total economic value of the Group's life and health reinsurance business, the value of future new reinsurance business, which reflects the Group's ability to secure new business, should be considered in addition to the Embedded Value. The value of future new business is often calculated by applying a multiplying factor to the value of one year's new business. The value of one year's new business is a reflection of the contribution to the shareholder's interest from the newly reinsured life and health insurance business during the course of the most recent one year. Assumptions such as the growth of future new business, profit margin, risk discount rate and the number of years of new business are considered to derive the multiplying factor.

Ernst & Young, an independent firm of consulting actuaries, has prepared a report on the assessment of the Group's Embedded Value as at 31 December 2014 and 30 June 2015, and the value of one year's new business of the Group's life and health reinsurance business for the 12 months ended 31 December 2014 and 30 June 2015, respectively. A copy of Ernst & Young's report is included in Appendix III to this prospectus. The report does not constitute any audit opinion of the financial information used therein.

In calculating the Group's Embedded Value and the value of one year's new business, Ernst & Young has relied on the data and information provided by the Group, including unaudited and audited information prior to or as at 30 June 2015. Ernst & Young's report provides further information regarding its use of, and reliance on, the data and information available to it.

In Ernst & Young's report, the Embedded Value and the value of one year's new business in respect of the life and health reinsurance business of the Group have been calculated using valuation models that rely on a range of assumptions given the particular uncertainties associated with the future investment environment and future business operations. You should carefully consider the range of values arising from the sensitivity analysis contained in Ernst & Young's report, which reflect the impact of different assumptions on these values. In addition, the numerical values presented in Ernst & Young's report do not represent all potential outcomes.

The calculation of Embedded Value and the value of one year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment return, reserve standards, taxation, life expectancy and other matters, many of them are beyond our control. As a result, the reality may turn out to be different from that assumed in the calculation, and the effect on the calculation results may be material. Investors should also refer to the section headed "Risk Factors — Risks Relating to Our Business — Our embedded value and the value of one year's new business of our life and health reinsurance business are calculated based on a number of assumptions used in their respective calculations and may vary significantly as those assumptions are changed." As key assumptions change, calculated values will vary, possibly materially. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment in the PRC market, material uncertainty exists with respect to asset valuations, which may have a material effect on the Embedded Value.

FUTURE PLANS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth our estimated net proceeds of the Global Offering, after deduction of underwriting fees and commissions and estimated expenses paid or payable by us in connection thereto:

	Assuming the Over-allotment Option has not been exercised	Assuming the Over-allotment Option has been exercised in full
Assuming an Offer Price of HK$2.48 per Offer Share (being the mid-point of the indicative Offer Price range)	Approximately HK$13,888 million	Approximately HK$15,981 million
Assuming an Offer Price of HK$2.70 per Offer Share (being the high end of the indicative Offer Price range)	Approximately HK$15,126 million	Approximately HK$17,404 million
Assuming an Offer Price of HK$2.25 per Offer Share (being the low end of the indicative Offer Price range)	Approximately HK$12,594 million	Approximately HK$14,493 million

We intend to use the net proceeds to strengthen our capital base and support our business growth. In the event that there is a material modification to the intended use of proceeds as described above, we will issue an announcement of that change.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG Hong Kong Branch
Deutsche Bank AG, Hong Kong Branch
CCB International Capital Limited
Morgan Stanley Asia Limited
Nomura International (Hong Kong) Limited
CLSA Limited
Changjiang Securities Brokerage (HK) Limited
ICBC International Securities Limited
ABCI Securities Company Limited
Essence International Securities (Hong Kong) Limited
Merrill Lynch Far East Limited
Daiwa Capital Markets Hong Kong Limited
Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
BOCI Asia Limited
Jefferies Hong Kong Limited
China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 288,496,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares (including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option) to be issued pursuant to the Global Offering; (ii) the International Purchase Agreement having been signed and becoming unconditional; and (iii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

At any time prior to 8:00 a.m. on the Listing Date, if any one of the Triggering Events (as defined below) occurs, then the Underwriters' Representatives after consulting with the Company may, in their sole discretion (on behalf of all the Hong Kong Underwriters), upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect. A triggering event (a "**Triggering Event**") occurs if:

(a) there develops, occurs, exists or comes into force since the date of the Hong Kong Underwriting Agreement:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, Japan, Greece or the European Union (excluding Greece and taken as a whole) (together, the "Relevant Jurisdictions"); or

(ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1 and such related/mutated forms, economic sanction, in whatever form) directly or indirectly in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (A) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any (A) material change or prospective material change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation, in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) any material litigation or claim being threatened, instigated or commenced against the Company or any of its subsidiaries; or

(viii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions

which, in the case of any of (a)(i) to (viii) above, in the sole opinion of the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) (I) is or is likely to be or will be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Company and its subsidiaries as a whole or (II) has or is likely to or will have a material adverse effect on the success of the Global Offering and/or make it impractical or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

(b) there has come to the notice of the Underwriters' Representatives or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement contained in this prospectus, the Application Forms, the Formal Notice or any announcements issued by the Company in connection with the Public Offering (including any supplement or amendment thereto) which was when it was issued or has become untrue, incorrect, inaccurate or misleading in any material respect unless such untrue, incorrect, inaccurate or misleading statement is immaterial in the context of the Global Offering and has been properly rectified by the Company in a timely manner; or

(ii) any matter that has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any representation or warranty given by the Company in the Hong Kong Underwriting Agreement that is (or would when repeated be) untrue or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Company and its subsidiaries as a whole; or

(v) any material breach on the part of the Company of any of the provisions under the Hong Kong Underwriting Agreement; or

(vi) any breach of any of the covenants or undertakings related to compliance with economic sanctions rules, use of proceeds and disclosure of sanctions risks given to the Hong Kong Stock Exchange in connection with the Global Offering, by the Company or its subsidiaries; or

(vii) any material adverse change or prospective material adverse change in the business, results of operations, financial or trading position or prospects of the Company and its subsidiaries as a whole.

UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further H Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of H Shares or our securities will be completed within such period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Bookrunners, the Underwriters' Representatives and the Hong Kong Underwriters that the Company will not and will cause its subsidiaries and controlled affiliates not to, without the Underwriters' Representatives' prior written consent (on behalf of the Hong Kong Underwriters subject to the requirements set out in the Hong Kong Listing Rules), at any time commencing on the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"):

1. offer, accept subscription for, pledge, charge, allot, lend, mortgage, assign, issue, sell, contract to issue or sell, sell any option or contract to purchase, purchase any option or contract to allot, sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any of its share capital or any securities of the Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or any interest therein or deposit H Shares with a depositary in connection with the issue of depositary receipts; or

2. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

3. offer to or agree to do any of the foregoing,

in each case, whether any of the transactions specified in paragraph (1), (2) or (3) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of H Shares by the Company pursuant to the Global Offering (including pursuant to the Over-allotment Option). We further agree that, in the event of an issue or disposal of any H Shares or any interest therein after the First Six-Month Period, the Company shall take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the H Shares and the undertakings in this section shall remain in full force and effect notwithstanding completion of matters and arrangements referred to in or contemplated by the Hong Kong Underwriting Agreement.

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Purchase Agreement

In connection with the International Offering, it is expected that we will enter into the International Purchase Agreement with the International Representatives (on behalf of the International Purchasers). Under the International Purchase Agreement, the International Purchasers, subject to certain conditions, will agree severally and not jointly to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Under the International Purchase Agreement, it is expected that we will grant to the International Purchasers the Over-allotment Option, exercisable by the International Representatives on behalf of the International Purchasers, in whole or from time to time in part, by giving written notice to our Company, at any time from the date of the International Purchase Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 865,480,000 additional H Shares, representing in aggregate not more than approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

UNDERWRITING COMMISSION AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 2% of the Offer Price for the Offer Shares (including Offer Shares sold pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees. In addition, the Company will pay the Underwriters, in the aggregate, an additional commission equal to 0.5% of the Offer Price for the Offer Shares, the allocation of which among the Underwriters is at the Company's sole discretion. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Purchasers (but not the Hong Kong Underwriters).

The aggregate commission and fees, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK$421 million in aggregate (based on an Offer Price of HK$2.48 per Share, being the mid-point of the stated price range of the Offer Price between HK$2.25 and HK$2.70 per Share, and the assumption that the Over-allotment Option is not exercised) is to be borne by us.

We have agreed to indemnify the Hong Kong Underwriters against certain liabilities and losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the over-allotment option and stabilisation are set forth in "Structure of the Global Offering."

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "***Syndicate Members***") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

1. the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

2. the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our Shareholders including our Cornerstone Investors for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 288,496,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in "— The Hong Kong Public Offering"; and

- the International Offering of initially 5,481,394,000 Offer Shares (subject to adjustments as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States solely to Qualified Institutional Buyers, or QIBs, as described below in "— The International Offering."

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Purchasers, exercisable by the International Representatives (on behalf of the International Purchasers). The Over-allotment Option gives the International Representatives the right, exercisable at any time from the date of the International Purchase Agreement up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 865,480,000 additional H Shares, representing approximately 15% of the initial size of the Global Offering, at the Offer Price to cover, among other things (such as effecting the permitted stabilizing actions as described in the section headed "—Stabilisation" below), over-allocations, if any, in the International Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 5,769,890,000 Offer Shares in the Global Offering will represent approximately 13.68% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 15.42% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 288,496,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.0% of the total number of H Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in "— Conditions of the Global Offering."

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5.0 million or less (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable); and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK$5.0 million (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 144,248,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 to the Listing Rules such that:

(i) 288,496,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available under the Global Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 432,742,000 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 576,990,000 H Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 1,153,978,000 H Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Underwriters' Representatives, after consulting with us, may determine.

Subject to the foregoing paragraph, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Underwriters' Representatives.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.70 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share amounting to a total of HK$2,727.21 for each board lot of 1,000 H Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation", is less than the maximum price of HK$2.70 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 5,481,394,000 Offer Shares, representing approximately 95% of the Offer Shares initially available under the Global Offering and approximately 13.00% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be based on a number of factors including the level and timing of demand, total size of the relevant investor 's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its H Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Underwriters' Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Underwriters' Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Purchasers.

The International Representatives may exercise the Over-allotment Option on behalf of the International Purchasers at any time from the date of the International Purchase Agreement up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 15% of the total number of the Offer Shares under the Global Offering at the Offer Price under the International Offering to cover, among other things (such as effecting the permitted stabilising actions as set out in the section headed "— Stabilisation" below), over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.05% of our issued share capital immediately following the completion of the Global Offering before the issue of such additional Offer Shares. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, UBS AG Hong Kong Branch, its affiliates or any person acting for them, on behalf of the Underwriters, as the stabilising manager (the "Stabilising Manager"), may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to acquire H Shares through deferred settlement.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in H Shares should note that:

- the Stabilising Manager may, in connection with the stabilising action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;

- no stabilising action can be taken to support the price of the H Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on 15 November 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of any security (including the H Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Underwriters' Representatives (on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 17 October 2015 (Hong Kong time), and in any event, not later than 23 October 2015 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$2.70 and is expected to be not less than HK$2.25, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK$2.70 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee. This means that for one board lot of 1,000 H Shares, you should pay HK$2,727.21 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$2.70, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares."

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Underwriters' Representatives, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese) of the reduction and posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.chinare.com.cn) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section "Summary", and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Underwriters' Representatives (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section "How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies."

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Underwriters' Representatives (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Purchase Agreement, are summarised in the section "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option) to be issued pursuant to the Global Offering;
- the Offer Price being duly determined;
- the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Purchasers under the International Purchase Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Purchase Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 12 November 2015, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Underwriters' Representatives (on behalf of the Underwriters) on or before 17 October 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on our website (**www.chinare.com.cn**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 26 October 2015, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on 26 October 2015.

The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 1508.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website at www.eipo.com.hk of the White Form eIPO Service Provider, referred herein as the "**White Form eIPO**"; or
- give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, **the White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

We, the Joint Global Coordinators or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company (or its subsidiaries) or will become a connected person of the Company (or its subsidiaries) immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on 13 October 2015 until 12:00 noon on 16 October 2015 from:

(i) any of the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited
29th Floor
One International Finance Center
1 Harbour View Street
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15
1 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Nomura International (Hong Kong) Limited
30/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F One Pacific Place
88 Queensway
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908
19/F Cosco Tower
183 Queen’s Road Central
Hong Kong

ICBC International Securities Limited
37/F
ICBC Tower
3 Garden Road
Hong Kong

ABCI Securities Company Limited
10/F
Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F
One Exchange Square
Central
Hong Kong

Merrill Lynch Far East Limited
55/F
Cheung Kong Center
2 Queen's Road Central
Hong Kong

Daiwa Capital Markets Hong Kong Limited
Level 28 One Pacific Place
88 Queensway
Hong Kong

Citigroup Global Markets Asia Limited
50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

BOCI Asia Limited
26F
Bank of China Tower
1 Garden Road
Central
Hong Kong

Jefferies Hong Kong Limited
22/F Cheung Kong Centre
2 Queen's Road Central
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
Units 3501-7 & 3513-14
35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

(ii) any of the following branches of the receiving banks:

(1) Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	North Point (King's Centre) Branch	193-209 King's Road, North Point
Kowloon:	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
New Territories:	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Fo Tan Branch	No. 2, 1/F Shatin Galleria 18-24 Shan Mei Street, Fo Tan

(2) Industrial and Commercial Bank of China (Asia) Limited

District	Branch	Address
Hong Kong Island:	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road
Kowloon:	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories:	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O

(3) Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch	Address
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
Kowloon:	Jordan Road Sub-Branch	1/F., Booman Building, 37U Jordan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories:	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long

(4) Wing Lung Bank Limited

District	Branch	Address
Hong Kong Island:	Johnston Road Branch	118 Johnston Road
Kowloon:	Mongkok Branch	Basement, Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories:	Shatin Plaza Branch	Shop 2, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 13 October 2015 until 12:00 noon on 16 October 2015 from:

- The Depository Counter of HKSCC at 1/F One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- Your stockbroker, who may have such Application Forms and this prospectus available.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — China Reinsurance Group Public Offer" for the payment, should be securely stapled and deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 13 October 2015 — 9:00 a.m. to 5:00 p.m.
- 14 October 2015 — 9:00 a.m. to 5:00 p.m.
- 15 October 2015 — 9:00 a.m. to 5:00 p.m.
- 16 October 2015 — 9:00 a.m. to 12:00 p.m.

The application lists will be open from 11:45 a.m. to 12:00 noon on 16 October 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to the Company, our H Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form(s);

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the YELLOW Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “2. Who Can Apply” section may apply by filling out the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application by filling out the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on 13 October 2015 until 11:30 a.m. on 16 October 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 16 October 2015 or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application by filling out the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Reinsurance (Group) Corporation" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association, the PRC Company Law and the Special Regulations; and

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum offer price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 13 October 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
- 14 October 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
- 15 October 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
- 16 October 2015 — 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 13 October 2015 until 12:00 noon on 16 October 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on 16 October 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares by filling out the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying by filling out the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on 16 October 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by filling out the **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum offer price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by filling out the **White Form eIPO** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For more details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 16 October 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 16 October 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 23 October 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the Company's website at **www.chinare.com.cn.** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk.**

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.chinare.com.cn and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m., Friday, 23 October 2015;

- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m., Friday, 23 October 2015 to 12:00 midnight, Thursday, 29 October 2015;

- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 23 October 2015 to Monday, 26 October 2015;

- in the special allocation results booklets which will be available for inspection during opening hours on Friday, 23 October 2015, Saturday, 24 October 2015 and Monday, 26 October 2015 at all the receiving banks designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For more details, see "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.70 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on or before 23 October 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum offer price per Offer Share paid on application in the event that the Offer Price is less than the maximum offer price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before 23 October 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker 's cashier 's order(s).

Share certificates will only become valid at 8:00 a.m., on 26 October 2015 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 23 October 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before 23 October 2015, by ordinary post and at your own risk.

(b) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before 23 October 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on 23 October 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 23 October 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) ***If you apply by filling out the White Form eIPO***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on 23 October 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before 23 October 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on 23 October 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on 23 October 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 23 October 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 23 October 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum offer price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 5:00 p.m. on 23 October 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

13 October 2015

The Directors
China Reinsurance (Group) Corporation

China International Capital Corporation Hong Kong Securities Limited
UBS Securities Hong Kong Limited
HSBC Corporate Finance (Hong Kong) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 13 October 2015 (the "Prospectus").

The Company's predecessor, 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 People's Republic of China (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. Upon the completion of the conversion, the Company issued 36,408 million shares of par value of RMB 1 proportionately to its shareholders, Central Huijin Investment Ltd. ("Central Huijin") and the Ministry of Finance of the PRC (the "MOF").

All subsidiaries of the Company have adopted 31 December as their financial year end date. Details of the Company's primary subsidiaries that were subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 1 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group and the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Consolidated income statements

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December			Six months ended 30 June	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
					(Unaudited)	
Gross written premiums	5	59,299,007	67,375,055	73,752,706	34,964,079	43,047,730
Less: Premiums ceded to reinsurers and retrocessionaires	5	(2,428,655)	(3,557,874)	(4,191,500)	(2,515,167)	(3,912,769)
Net written premiums	5	56,870,352	63,817,181	69,561,206	32,448,912	39,134,961
Changes in unearned premium reserves	6	(1,577,193)	(2,705,079)	(708,798)	(789,604)	(1,309,730)
Net premiums earned		55,293,159	61,112,102	68,852,408	31,659,308	37,825,231
Reinsurance commission income		458,082	541,616	786,632	428,700	292,102
Investment income	7	4,116,954	5,990,711	7,633,167	4,075,581	9,257,466
Including:						
Negative goodwill arising from reclassification of investments in associates		—	—	2,066,311	2,066,311	—
Exchange gains/(losses), net		15,699	38,696	(93,391)	19,463	(69,096)
Other income	8	666,879	618,016	620,314	299,990	262,484
Total income		**60,550,773**	**68,301,141**	**77,799,130**	**36,483,042**	**47,568,187**
Claims and policyholders' benefits	9	(37,760,083)	(41,535,240)	(50,377,066)	(22,975,201)	(27,259,291)
- Claims incurred		(25,463,312)	(30,096,568)	(34,143,650)	(16,750,877)	(16,408,409)
- Life and health reinsurance death and other benefits paid		(5,936,096)	(7,729,262)	(11,297,780)	(6,530,924)	(3,694,459)
- Changes in long-term life and health reinsurance contract liabilities		(6,360,675)	(3,709,410)	(4,935,636)	306,600	(7,156,423)
Handling charges and commissions	10	(13,636,010)	(15,799,100)	(13,226,446)	(6,003,777)	(7,184,277)
Finance costs	11	(243,269)	(208,690)	(130,311)	(50,873)	(74,997)
Other operating and administrative expenses	12	(5,978,185)	(6,467,230)	(7,952,399)	(3,370,395)	(4,996,198)
Total benefits, claims and expenses		**(57,617,547)**	**(64,010,260)**	**(71,686,222)**	**(32,400,246)**	**(39,514,763)**
Share of profits of associates		—	—	893,860	339,336	685,429
Profit before tax	**13**	**2,933,226**	**4,290,881**	**7,006,768**	**4,422,132**	**8,738,853**
Income tax	16	(615,548)	(895,346)	(1,531,205)	(940,786)	(2,057,261)
Profit for the year/period		**2,317,678**	**3,395,535**	**5,475,563**	**3,481,346**	**6,681,592**
Attributable to:						
Equity shareholders of the Company		2,262,487	3,373,200	5,404,320	3,433,049	6,577,796
Non-controlling interests		55,191	22,335	71,243	48,297	103,796
Profit for the year/period		**2,317,678**	**3,395,535**	**5,475,563**	**3,481,346**	**6,681,592**
Earnings per share (in RMB)	**17**					
- Basic		0.06	0.09	0.15	0.09	0.18
- Diluted		0.06	0.09	0.15	0.09	0.18

2 Consolidated statements of comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2015
Profit for the year/period		**2,317,678**	**3,395,535**	**5,475,563**	**3,481,346**	**6,681,592**
Other comprehensive income for the year/period after tax						
Items that may be reclassified subsequently to profit or loss:						
Share of other comprehensive income of associates		—	—	102,605	50,970	36,756
Available-for-sale financial assets		1,338,582	(1,682,223)	3,587,290	462,849	(1,016,755)
Exchange differences on translation of financial statements of overseas subsidiaries		(564)	717	(5,617)	(868)	527
Other comprehensive income for the year/period after tax	18	1,338,018	(1,681,506)	3,684,278	512,951	(979,472)
Total comprehensive income for the year/period		**3,655,696**	**1,714,029**	**9,159,841**	**3,994,297**	**5,702,120**
Attributable to:						
Equity shareholders of the Company		3,592,366	1,710,069	9,036,536	3,935,853	5,608,509
Non-controlling interests		63,330	3,960	123,305	58,444	93,611
Total comprehensive income for the year/period		**3,655,696**	**1,714,029**	**9,159,841**	**3,994,297**	**5,702,120**

3 Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

		At 31 December			At 30 June
	Note	**2012**	**2013**	**2014**	**2015**
Assets					
Cash and short-term time deposits	19	2,739,288	7,324,966	7,904,122	8,531,890
Financial assets at fair value through profit or loss	20	5,142,984	2,641,443	2,538,290	2,631,202
Financial assets held under resale agreements	21	150,000	236,120	1,155,100	799,000
Premiums receivable	22	439,919	470,688	589,138	1,196,766
Reinsurance debtors	23	11,768,966	14,902,833	11,733,594	22,886,492
Reinsurers' share of insurance contract liabilities	24	2,192,190	3,993,992	5,058,427	7,709,977
Time deposits	25	35,778,045	30,698,215	31,961,589	33,243,717
Available-for-sale financial assets	26	41,861,291	41,730,934	45,933,623	53,124,972
Held-to-maturity investments	27	17,039,303	17,890,502	18,186,456	19,025,040
Investments classified as loans and receivables	28	2,960,000	7,380,000	12,945,000	14,040,000
Policy loans		153,092	180,308	235,269	240,796
Investments in associates	30	6,247	6,247	7,708,646	8,098,310
Statutory deposits	31	11,810,291	12,980,316	12,180,351	12,454,769
Investment property	32	486,521	459,808	433,094	419,738
Property and equipment	33	2,360,310	2,418,956	2,564,604	2,530,674
Intangible assets	34	296,380	314,279	313,868	306,335
Goodwill	35	1,188,538	1,188,538	1,188,538	1,188,538
Deferred tax assets	36	493,252	500,249	441,955	432,790
Other assets	37	11,162,079	9,510,199	26,603,514	41,933,349
Total assets		**148,028,696**	**154,828,593**	**189,675,178**	**230,794,355**
Liabilities and equity					
Liabilities					
Securities sold under agreements to repurchase	38	12,742,200	3,480,880	2,308,800	7,377,370
Reinsurance payables		7,713,329	8,792,288	4,697,941	8,012,123
Income tax payable		212,826	79,086	659,950	794,296
Policyholders' deposits		1,196,896	965,529	950,745	872,750
Investment contract liabilities	39	1,961,397	5,017,345	21,192,010	37,650,705
Insurance contract liabilities	40	76,130,098	86,997,610	97,245,538	108,502,472
Deferred tax liabilities	36	470,163	321,087	1,403,586	1,323,391
Other liabilities	41	3,332,484	3,286,853	6,581,900	6,654,351
Total liabilities		**103,759,393**	**108,940,678**	**135,040,470**	**171,187,458**
Equity					
Share capital	42	36,407,611	36,407,611	36,407,611	36,407,611
Reserves	43	2,949,871	1,809,473	6,167,430	5,197,268
Retained profits	43	4,317,116	7,077,683	11,318,253	17,167,897
Total equity attributable to equity shareholders of the Company		43,674,598	45,294,767	53,893,294	58,772,776
Non-controlling interests		594,705	593,148	741,414	834,121
Total equity		**44,269,303**	**45,887,915**	**54,634,708**	**59,606,897**
Total liabilities and equity		**148,028,696**	**154,828,593**	**189,675,178**	**230,794,355**

4 Statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

		At 31 December			At 30 June
	Note	**2012**	**2013**	**2014**	**2015**
Assets					
Cash and short-term time deposits	19	1,619,194	3,725,353	2,065,448	2,355,260
Financial assets at fair value through profit or loss	20	742,868	519,221	605,745	939,626
Financial assets held under resale agreements	21	—	—	16,000	430,000
Reinsurance debtors	23	1,475,800	959,844	1,196,056	2,178,730
Reinsurers' share of insurance contract liabilities	24	52,518	57,455	45,489	57,054
Time deposits	25	2,863,036	56,215	462,826	1,353,590
Available-for-sale financial assets	26	11,718,201	8,869,787	5,502,050	5,752,172
Held-to-maturity investments	27	1,831,251	1,830,558	1,829,587	1,497,502
Investments classified as loans and receivables	28	139,000	489,000	276,593	276,593
Policy loans		—	—	11,718	14,646
Investments in subsidiaries	29	20,219,206	22,222,025	24,610,592	24,610,592
Investments in associates	30	6,247	6,247	3,641,446	3,369,767
Statutory deposits	31	7,503,000	7,703,000	7,403,000	7,403,000
Investment property	32	486,521	459,808	433,094	419,738
Property and equipment	33	793,675	759,821	739,009	723,290
Intangible assets	34	13,845	12,587	9,752	8,747
Other assets	37	1,147,291	754,676	1,870,998	2,136,585
Total assets		**50,611,653**	**48,425,597**	**50,719,403**	**53,526,892**
Liabilities and equity					
Liabilities					
Securities sold under agreements to repurchase	38	2,185,400	628,000	939,800	900,471
Reinsurance payables		776,997	563,104	465,499	494,917
Income tax payable		—	70,025	—	89,726
Insurance contract liabilities	40	7,776,457	6,586,538	6,338,889	7,570,467
Deferred tax liabilities	36	191,569	158,612	626,697	593,046
Other liabilities	41	414,919	329,308	575,702	1,925,909
Total liabilities		**11,345,342**	**8,335,587**	**8,946,587**	**11,574,536**
Equity					
Share capital	42	36,407,611	36,407,611	36,407,611	36,407,611
Reserves	43	1,628,339	1,418,826	2,071,688	1,942,384
Retained profits	43	1,230,361	2,263,573	3,293,517	3,602,361
Total equity		**39,266,311**	**40,090,010**	**41,772,816**	**41,952,356**
Total liabilities and equity		**50,611,653**	**48,425,597**	**50,719,403**	**53,526,892**

5 Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Company									
			Reserves								
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2012		36,407,611	1,138,150	380,100	590,017	(740,611)	—	2,351,965	40,127,232	476,415	40,603,647
Changes in equity for the year											
Profit for the year		—	—	—	—	—	—	2,262,487	2,262,487	55,191	2,317,678
Other comprehensive income	18	—	—	—	—	1,330,443	(564)	—	1,329,879	8,139	1,338,018
Total comprehensive income		—	—	—	—	1,330,443	(564)	2,262,487	3,592,366	63,330	3,655,696
Capital contributions to subsidiaries		—	—	—	—	—	—	—	—	54,960	54,960
Appropriations to surplus reserve		—	—	19,956	—	—	—	(19,956)	—	—	—
Appropriations to general risk reserve		—	—	—	232,380	—	—	(232,380)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	(45,000)	(45,000)	—	(45,000)
Balance at 31 December 2012		36,407,611	1,138,150	400,056	822,397	589,832	(564)	4,317,116	43,674,598	594,705	44,269,303

	Note	Attributable to equity shareholders of the Company									
			Reserves								
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2013		36,407,611	1,138,150	400,056	822,397	589,832	(564)	4,317,116	43,674,598	594,705	44,269,303
Changes in equity for the year											
Profit for the year		—	—	—	—	—	—	3,373,200	3,373,200	22,335	3,395,535
Other comprehensive income	18	—	—	—	—	(1,663,848)	717	—	(1,663,131)	(18,375)	(1,681,506)
Total comprehensive income		—	—	—	—	(1,663,848)	717	3,373,200	1,710,069	3,960	1,714,029
Capital contributions to subsidiaries		—	—	—	—	—	—	—	—	4	4
Appropriations to surplus reserve		—	—	140,389	—	—	—	(140,389)	—	—	—
Appropriations to general risk reserve		—	—	—	382,344	—	—	(382,344)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	(48,000)	(48,000)	(5,521)	(53,521)
Transfer to National Social Security Fund		—	—	—	—	—	—	(41,900)	(41,900)	—	(41,900)
Balance at 31 December 2013		36,407,611	1,138,150	540,445	1,204,741	(1,074,016)	153	7,077,683	45,294,767	593,148	45,887,915

		Attributable to equity shareholders of the Company										
			Reserves									
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2014		36,407,611	1,138,150	540,445	1,204,741	—	(1,074,016)	153	7,077,683	45,294,767	593,148	45,887,915
Changes in equity for the year												
Profit for the year		—	—	—	—	—	—	—	5,404,320	5,404,320	71,243	5,475,563
Other comprehensive income	18	—	—	—	—	—	3,637,833	(5,617)	—	3,632,216	52,062	3,684,278
Total comprehensive income		—	—	—	—	—	3,637,833	(5,617)	5,404,320	9,036,536	123,305	9,159,841
Capital contributions to subsidiaries		—	—	(26,333)	—	—	—	—	—	(26,333)	26,333	—
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	—	(64)	(64)
Appropriations to surplus reserve		—	—	183,715	—	—	—	—	(183,715)	—	—	—
Appropriations to general risk reserve		—	—	—	540,259	—	—	—	(540,259)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	—	(436,891)	(436,891)	(1,308)	(438,199)
Transfer to National Social Security Fund		—	—	—	—	—	—	—	(2,885)	(2,885)	—	(2,885)
Appropriations to agriculture catastrophic loss reserve		—	—	—	—	3,164	—	—	(3,164)	—	—	—
Utilisation of agriculture catastrophic loss reserve		—	—	—	—	(3,164)	—	—	3,164	—	—	—
Others		—	28,100	—	—	—	—	—	—	28,100	—	28,100
Balance at 31 December 2014		36,407,611	1,166,250	697,827	1,745,000	—	2,563,817	(5,464)	11,318,253	53,893,294	741,414	54,634,708

Six months ended 30 June 2014 (Unaudited)	*Note*	Attributable to equity shareholders of the Company	Reserves									
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2014		36,407,611	1,138,150	540,445	1,204,741	—	(1,074,016)	153	7,077,683	45,294,767	593,148	45,887,915
Changes in equity for the period												
Profit for the period (unaudited)		—	—	—	—	—	—	—	3,433,049	3,433,049	48,297	3,481,346
Other comprehensive income (unaudited)	18	—	—	—	—	—	503,672	(868)	—	502,804	10,147	512,951
Total comprehensive income (unaudited)		—	—	—	—	—	503,672	(868)	3,433,049	3,935,853	58,444	3,994,297
Transfer to National Social Security Fund (unaudited)		—	—	—	—	—	—	—	(2,885)	(2,885)	—	(2,885)
Distributions to shareholders		—	—	—	—	—	—	—	(436,891)	(436,891)	—	(436,891)
Others		—	11,907	—	—	—	—	—	—	11,907	—	11,907
Balance at 30 June 2014 (unaudited)		36,407,611	1,150,057	540,445	1,204,741	—	(570,344)	(715)	10,070,956	48,802,751	651,592	49,454,343

Six months ended 30 June 2015	Note	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
			Reserves									
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal		
Balance at 1 January 2015		36,407,611	1,166,250	697,827	1,745,000	—	2,563,817	(5,464)	11,318,253	53,893,294	741,414	54,634,708
Changes in equity for the period												
Profit for the period................		—	—	—	—	—	—	—	6,577,796	6,577,796	103,796	6,681,592
Other comprehensive income...	18	—	—	—	—	—	(969,814)	527	—	(969,287)	(10,185)	(979,472)
Total comprehensive income........		—	—	—	—	—	(969,814)	527	6,577,796	5,608,509	93,611	5,702,120
Distributions to shareholders		—	—	—	—	—	—	—	(728,152)	(728,152)	(904)	(729,056)
Others		—	(875)	—	—	—	—	—	—	(875)	—	(875)
Balance at 30 June 2015		36,407,611	1,165,375	697,827	1,745,000	—	1,594,003	(4,937)	17,167,897	58,772,776	834,121	59,606,897

6 Consolidated cash flow statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
					(Unaudited)	
Operating activities						
Cash generated from operations	45(a)	11,434,894	10,024,208	9,991,360	4,563,942	747,266
Income tax paid		(299,118)	(798,919)	(1,241,189)	(775,855)	(1,444,370)
Net cash flows from/(used in) operating activities		**11,135,776**	**9,225,289**	**8,750,171**	**3,788,087**	**(697,104)**
Investing activities						
Interests received		3,308,690	4,347,863	5,282,086	1,865,057	1,915,528
Dividends received		714,033	846,126	630,169	235,504	731,379
Purchases of property and equipment, investment property and intangible assets		(333,361)	(289,568)	(2,609,005)	(1,387,808)	(410,663)
Proceeds from disposals of property and equipment and intangible assets		94,689	5,540	3,425	25,029	3,329
Purchases of investments		(52,277,324)	(30,350,354)	(49,846,835)	(12,815,227)	(77,444,513)
Proceeds from disposals of investments		31,775,133	30,425,273	38,669,670	10,385,470	71,212,343
Disposals of associates		—	—	—	—	831,533
Investments in associates		—	—	(100,000)	—	(601,818)
Net cash flows (used in)/ from investing activities		**(16,718,140)**	**4,984,880**	**(7,970,490)**	**(1,691,975)**	**(3,762,882)**
Financing activities						
Capital contributions to subsidiaries by non-controlling interests		54,962	4	—	—	—
Interests paid		(231,449)	(227,593)	(131,867)	(52,456)	(69,363)
Dividends paid to shareholders of the Company		(45,000)	(48,000)	(436,891)	—	—
Dividends paid by subsidiaries to non-controlling interests		—	(5,521)	(1,308)	—	—
Acquisition of non-controlling interests		—	—	(64)	—	—
Securities sold under agreements to repurchase, net		4,741,600	(9,261,320)	(1,172,080)	(975,880)	5,068,570
Net cash flows from/(used in) financing activities		**4,520,113**	**(9,542,430)**	**(1,742,210)**	**(1,028,336)**	**4,999,207**
Net (decrease)/increase in cash and cash equivalents		(1,062,251)	4,667,739	(962,529)	1,067,776	539,221
Cash and cash equivalents at the beginning of the year/period		3,847,461	2,788,934	7,395,518	7,395,518	6,370,718
Effect of foreign exchange rate changes		3,724	(61,155)	(62,271)	55,895	(11,500)
Cash and cash equivalents at the end of the year/period	45(b)	**2,788,934**	**7,395,518**	**6,370,718**	**8,519,189**	**6,898,439**

B NOTES TO THE FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION AND GROUP STRUCTURE

The Company's predecessor, 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 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. The Company's registered office is located at No. 11 Financial Street, Xicheng District, Beijing 100033, the PRC.

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. Upon the completion of the conversion, the Company issued 36,408 million shares of par value of RMB 1 proportionately to its shareholders, Central Huijin and the MOF.

During the Relevant Periods, the Company, mainly through subsidiaries, provides integrated financial products and services and are engaged in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses.

Particulars of the Company's primary subsidiaries as at 30 June 2015 are as follows:

Name	Place of incorporation/ registration	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities /place of operation
			Direct	Indirect	
China Property and Casualty Reinsurance Company Limited ("China Re P&C") (i)(a)	Beijing	RMB 10,032,250,000	100	—	Property and casualty reinsurance, China
China Life Reinsurance Company Limited ("China Re Life") (i)(b)	Beijing	RMB 6,720,000,000	100	—	Life and health reinsurance, China
China Continent Property and Casualty Insurance Company Limited ("China Continent Insurance") (i)(c)	Shanghai	RMB 7,302,077,123	93.18	—	Primary property and casualty insurance, China
China Re Asset Management Company Limited ("China Re AMC") (i)(d)	Beijing	RMB 500,000,000	70	29.318	Management of insurance investments, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency") (i)	Beijing	RMB 50,000,000	52.50	—	Insurance brokerage, risk evaluation and management, China
China Re UK Limited ("China Re UK") (ii)	London	GBP 300,000	100	—	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited (iii)	London	GBP 18,000,000	100	—	Underwriting agency, UK

(i) The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 prepared under accounting principles generally accepted in the PRC were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) .

(ii) The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared under United Kingdom Generally Accepted Accounting Practice were audited by KPMG LLP.

(iii) No audited statutory financial statements have been prepared for China Re Underwriting Agency Limited for the period from 8 August 2014 (date of incorporation) to 31 December 2014, as it was not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The principal changes to the structure of the Group are as follows:

(a) China Re P&C was established with registered capital of RMB 800 million, where the Company held a 45% direct equity interest. The registered capital of China Re P&C was increased to RMB 1,450 million, which included the Company's additional contribution of RMB 360 million on 12 October 2005, and the Company's direct equity interest increased to 49.66%. On 28 June and 28 August 2007, the Company acquired the interests from other shareholders of China Re P&C, and increased its direct equity interest in China Re P&C to 82.75%. On 28 November 2008, the Company contributed RMB 4,882 million to China Re P&C and increased its direct equity interest in China Re P&C to 96.05%. On 17 April 2009, the Company further acquired the non-controlling interests of China Re P&C, and increased its direct equity interest in China Re P&C to 99.9998%. The registered capital of China Re P&C was increased to RMB 9,532 million in aggregate as contributed by the Company and non-controlling interests on a proportionate basis on 10 January 2011, 6 June 2012 and 30 December 2013. On 26 September 2014, the Company acquired the non-controlling interests of China Re P&C, and increased the Company's direct equity interest in China Re P&C to 100%. On 31 December 2014, China Re P&C increased registered capital by RMB 500 million as contributed by the Company.

(b) China Re Life was established with registered capital of RMB 800 million, where the Company held a 45.1% direct equity interest. In 2007, the Company signed equity transfer agreements with five other shareholders of China Re Life, increasing the Company's equity interest in China Re Life to 90%. On 26 November 2008, the Company contributed RMB 3,420 million to China Re Life and increased its direct equity interest in China Re Life to 98.1%. On 17 April 2009, the Company further acquired the non-controlling interests of China Re Life and increased its direct equity interest in China Re Life to 99.9998%. The registered capital of China Re Life was increased to RMB 6,720 million in aggregate on 19 March 2012 and 9 April 2013 as contributed by the Company and non-controlling interests on a proportionate basis. On 23 October 2014, the Company acquired the non-controlling interests of China Re Life, and increased the Company's direct equity interest in China Re Life to 100%.

(c) China Continent Insurance was established with registered capital of RMB 1,000 million, where the Company held a 60% direct equity interest. On 31 December 2006, China Continent Insurance increased registered capital by RMB 720 million, of which the Company contributed RMB 600 million and increased its direct equity interest in China Continent Insurance to 69.77%. On 20 October 2008, the Company contributed RMB 2,093 million to China Continent Insurance and increased its direct equity interest in China Continent Insurance to 86.363%. On 22 June 2009, the Company further acquired the non-controlling interests of China Continent Insurance and increased its direct equity interest in China Continent Insurance to 96.5%. On 2 September 2009, China Continent Insurance increased registered capital by RMB 907 million, of which the Company contributed RMB 675 million and its direct equity interest in China Continent Insurance was diluted to 92.26%. The registered capital of China Continent Insurance was increased to RMB 6,430 million in aggregate on 21 December 2011 and 30 June 2012 as contributed by the Company and non-controlling interests on a proportionate basis. On 19 December 2014, the registered capital of China Continent Insurance was increased to RMB 7,302 million, and the Company's direct equity interest in China Continent Insurance was increased to 93.18%.

(d) China Re AMC was established with registered capital of RMB 200 million, of which the Company contributed RMB 100.2 million with a 50.1% direct equity interest, China Re P&C, China Re Life, China Continent Insurance and Swiss Re Asset Management (Asia) Limited each contributed RMB 20 million with a 10% direct equity interest, and Fuxi Investment Holding Company Limited contributed RMB 19.8 million with a 9.9% direct equity interest. The Company acquired the equity interests in China Re AMC from Fuxi Investment Holding Company Limited and Swiss Re Asset Management (Asia) Limited on 22 June 2007 and 20 May 2010, respectively, and increased its direct equity interest in China Re AMC to 70%. On 28 March 2014, the Company, China Re P&C, China Re Life and China Continent Insurance injected RMB 210 million, RMB 30 million, RMB 30 million and RMB 30 million respectively in China Re AMC on a proportionate basis, and China Re AMC increased its registered capital to RMB 500 million.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year beginning 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2015 are set out in Note 52.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(2) **Basis of measurement**

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

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

- financial instruments classified as available-for-sale or as trading securities (see Note 2(9)).

- Reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods (see Note 2(19)).

(3) **Use of estimates and judgements**

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(4) **Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the Shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the Shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(5)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)(b)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(5) **Associates and joint ventures**

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(6) and (16)(b)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)).

In the Company's statements of financial position, investments in associates are accounted for using equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) **Goodwill**

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(16)(b)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(7) **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term time deposits, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(8) **Translation of foreign currencies**

Foreign currency transactions during the reporting period are translated at the foreign exchange rates ruling at the transaction dates or at the rates that approximate the spot exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(9) **Other investments in debt and equity securities**

The Group’s policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as financial assets at fair value through profit or loss. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Dividends or interest earned on these investments are recognised in accordance with the policies set out in Note 2(21)(c).

Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(16)(a)).

Debt securities classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, debt securities classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses (see Note 2(16)(a)).

Investments which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(16)(a)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest rate method are recognised in profit or loss in accordance with the policies set out in Note 2(21)(c). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(16)(a)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(10) **Financial assets held under resale agreements and securities sold under agreements to repurchase**

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Securities sold under agreements to repurchase are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under agreements to repurchase in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under agreements to repurchase continue to be recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest rate method and is included in interest income and interest expenses, respectively.

(11) **Reinsurance debtors and other receivables**

Reinsurance debtors represent receivables from reinsurance contracts.

Reinsurance debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts (see Note 2(16)(a)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(12) **Investment contract liabilities, reinsurance and other payables**

Rights under contracts that do not transfer significant insurance risk are accounted for as investment contracts. Reinsurance payables are primarily premiums, benefits and claims payable for reinsurance contracts, which are recognised as an expense when due.

Investment contract liabilities, reinsurance and other payables are initially recognised at fair value. Investment contract liabilities, reinsurance and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(13) **Investment property**

The Group's investment property are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of investment property is 15 to 35 years.

The residual value, the useful life and the depreciation method are reviewed at least at end of the Relevant Periods to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment property.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

(14) **Property and equipment**

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(16)(b)). The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	15-35 years
Machinery and equipment	3-11 years
Motor vehicles	5-8 years
Office and electronic equipment	3-8 years
Leasehold improvement	lease terms

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses (see Note 2(16)(b)), and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(15) **Intangible assets (other than goodwill)**

Intangible assets are mainly the value of business acquired and software.

Value of business acquired ("VOBA")

Insurance contract liabilities for long-term insurance business arising from business combination are recognised at the carrying amount. The difference between its carrying value and fair value, calculated as the present value of future profits arising from the enforceable insurance business at the acquisition date, is recorded as VOBA. The calculation of discounted future profits is based on the estimation at the acquisition date using the actuarial assumptions, as well as the cost of capital at the acquisition date and a risk-adjusted discount rate.

VOBA is recognised as an intangible asset on the consolidated statements of financial position, and amortised in line with gross profit margins expected to realise within the contract periods over the remaining effective policy contract periods. The estimated gross profit margins include mortality surplus, expense surplus, interest surplus and surrender gains.

During the liability adequacy test, the recoverability of VOBA is reviewed based on the actual experience of enforceable business and the updated key assumptions. VOBA is derecognised when underlying insurance contracts are terminated or commuted.

Software

Purchased software is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(16)(b)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software .... 3-10 years

Both the period and method of amortisation are reviewed annually.

(16) **Impairment of assets**

(a) ***Impairment of financial assets***

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;

- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- disappearance of an active market for financial assets because of financial difficulties of the issuer;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Investments classified as held-to-maturity and loans and receivables, reinsurance debtors and other receivables

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(b) ***Impairment of non-financial assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment;
- investment property;
- intangible assets;

- investments in subsidiaries and associates; and

- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(17) **Insurance contracts**

Insurance contracts are those contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

The Group's insurance contracts comprise primary insurance contracts and reinsurance contracts.

(18) **Testing the significance of insurance risk**

For contracts that contain both insurance risks and non-insurance risks, and where insurance risks and non-insurance risks can be distinguished and measured separately, the insurance risks and non-insurance risks should be unbundled. Insurance risk components should be treated as insurance contracts while other risk components should be treated as non-insurance contracts. When the insurance risk components and other risk components cannot be distinguished, or could be distinguished but not be measured separately, the entire contract should be treated as an insurance contract if the insurance risk is significant, otherwise it should be treated as a non-insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts.

For reinsurance contracts, the Group uses the contract (or facultative insurance policy) as a basic unit for the risk significance test. Tests can be combined for small business contracts or facultative insurance policies. If it is specified in the terms of a contract that its payment responsibility changes according to another contract's claim amount, those contracts should be combined for risk significance test. For primary property and casualty insurance contracts, the Group uses the product as a risk significance test unit. If the test results show that insurance accident specified in the contract may result in significant additional benefits paid by the Group, the contract is recognised as a significant risk contract, except for those with no commercial substance. The additional benefits above-mentioned refer to the amount the Group pays when an accident occurs in excess of the amount the Group pays when an accident does not occur. A contract has no commercial substance if it has no identifiable impacts on either the Group or its counter-party's economic interests.

The Group's other contracts that do not meet the definition of an insurance contract (hereinafter referred as "investment contract") should be recognised and measured according to relevant accounting policies for financial assets or liabilities.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characteristics and actual claim payments.

(19) **Insurance contract liabilities**

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life and health insurance contract reserves. The Group measures the insurance contract reserves at the end of each of the Relevant Periods.

When the Group calculates the insurance contract reserves, it combines the insurance contracts with homogeneous insurance risks as one measuring unit.

The Group calculates the insurance contract reserves based on the future expected net cash flows arising from insurance contracts with consideration of the time value of money. Future cash inflows mainly include future insurance premium, future salvage and subrogation on incurred claims. Future cash outflows mainly include claims paid to the insurants, surrender payments, and loss adjustment expenses, etc. The reinsurance contracts also take the adjustable commission and profit commission into consideration. If the effect of time value of money is significant, the Group will discount the relative future cash flows. The Group determines the discount rate based on the latest obtainable information at the end of each of the Relevant Periods.

The Group considers the margin factor and measures separately when determining the reserve of insurance contracts. During the period of insurance, the Group uses a systematic and reasonable method to record the margin in the current period profit or loss. At the inception of the contracts, the Group does not recognise day-one gain, whereas in contrast, day-one loss is recognised directly in profit or loss.

The Group evaluates the cash flow of insurance contracts and related reinsurance contracts separately. Meanwhile, the Group calculates the corresponding reserves that shall be recovered from the reinsurer and retrocessionaire and recognises the corresponding insurance reserve receivable as an asset.

Unearned premium reserves

The Group adopts the larger of the following as the unearned premium reserves for property and casualty, accident and short-term life and health insurance contracts:

(i) For reinsurance contracts, the result of applying 1/8 method, 1/24 method or 1/365 method on the difference between written premiums and acquisition costs; for primary insurance contracts, the result of applying 1/365 method on the difference between written premiums and acquisition costs.

(ii) The discounted net future cash outflow including claim payments, maintenance expenses, loss adjustment expenses, and corresponding risk margin. Risk margin is determined using the 75% percentile approach, and the cost of capital approach, with reference to the relevant industry benchmarks.

The acquisition costs of the Group's reinsurance contracts primarily include reinsurance commissions and insurance supervision fees. The acquisition costs of the Group's primary insurance contracts primarily include handling charges and commission expenses, business taxes and surcharges, statutory insurance fund contributions, insurance supervision fees, and commissions paid to employees working as sales representatives.

The Group calculates the expected future net cash outflows over the entire coverage and settlement period to measure the unearned premium reserves.

Claim reserves

Claim reserves refer to the provision for incurred events of property and casualty, accident and short-term life and health insurance contracts insured by the Group as primary insurer or reinsurer, including case reserves, incurred but not reported ("IBNR") reserves and loss adjustment expense reserves.

Case reserves represent the reserves for incurred insurance accidents, which have been reported to the Group but not yet settled. As primary insurer, the Group adopts case-by-case loss estimating method and average cost per claim method to measure case reserves, based on the reasonable estimate of the ultimate settlement amount, with consideration of risk margin. In regard to reinsurance contracts, the Group measures case reserves based on the information provided by cedants.

IBNR reserves represent the reserves for incurred insurance events that have not been reported to the Group or with inadequate case reserves. Based on the nature and distribution of insurance risk, the pattern of historical claim development, and the latest available claim data, the Group adopts commonly accepted actuarial reserving methods such as the chain ladder methods, average cost per claim method, frequency-severity method, Bornhuetter-Ferguson method and expected loss ratio method to measure IBNR reserves, with consideration of the time value of money and risk margin.

Loss adjustment expense reserves represent reserves for claims related expenses such as settlement fees, legal cost, claim-surveying cost and claim handling staff's salary, on insurance accidents. The Group mainly uses the ratio allocation method to measure loss adjustment expense reserves.

Long-term life and health insurance contract reserves

The Group measures long-term life and health insurance contract reserves on the basis of the best estimates of future payments that will be required to fulfil the contractual obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of: (i) the guaranteed benefits based on contractual terms, including death claims, disability claims, medical benefits, survival benefits, maturity benefits, etc.; (ii) the non-guaranteed benefits, including policyholder dividends, etc.; and (iii) expenses incurred to manage insurance contracts or to process claims, including loss adjustment expenses, etc.. The expected future cash inflows include cash inflows arising from the undertaking of insurance obligations, including premium and other fees.

Margin comprising risk margin and residual margin has been taken into consideration while computing the reserve of life and health insurance contracts. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. Residual margin is the margin for not recognising day-one gain and will be amortised over the life of the contracts. The subsequent measurement of residual margin is independent of the reserve related to best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

The Group determines the assumptions for measuring the unexpired liability reserves on the basis of latest information obtained on the balance sheet date.

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of market interest with equivalent duration and equivalent risk to liability cash outflows. For the insurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of expected future investment returns rate of the corresponding investment portfolios.

Based on the historical experience and trend of future development, the Group determines the reasonable estimates as the assumptions, such as mortality rate, morbidity rate, lapse rate and expenses. For future expense which is sensitive to inflation, the Group considers the factors of inflation and the effects of the Group's expense controls to determine the expenses assumptions.

For insurance contracts with renewal rights, if the policyholder is likely to execute the renewal right without adjusting the premium rates, the Group takes the whole insurance period as the expected future net cash outflow period while measuring the reserves.

Liability adequacy test

The Group performs liability adequacy tests for unearned premium reserves and reserves for long-term life and health insurance on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, the carrying amounts of the reserves shall be increased to the adequacy test result. For insurance policies acquired from business combination, the VOBA should be written off first and the deficiencies in excess of VOBA should be treated as additional reserves. And if the related reserve is adequate, no adjustment is made.

(20) **Reinsurance**

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded insurance/reinsurance contracts are presented separately from the assets, liabilities, income and expenses arising from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

(21) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) ***Gross written premiums***

Gross written premiums in respect of primary property and casualty insurance contracts are recognised as revenue when the amount is determined, which is generally when the risk commences.

Gross written premiums in respect of reinsurance contracts reflect business written during the Relevant Periods. Premiums written include an estimate for written premiums receivable of the current period and adjustments to estimates of premiums written in previous years at period end.

(b) ***Fee income***

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

(c) ***Investment income***

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

(d) ***Government grants***

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(22) **Employee benefits**

(a) ***Short term employee benefits and defined contribution plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(b) ***Defined benefit retirement plan obligation***

The Group's defined benefit retirement plan is a pension plan for its retired staff in addition to the overall social insurance scheme, including retirement allowances and medical expenses. The contributions to the pension plan in addition to the overall social insurance scheme are made by the Group after taking the approved defined policy into account.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit retirement plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discounts obligations under the defined benefit retirement plans to determine the present value of the defined benefit liability.

Service cost and interest expense on the defined benefit liability are charged to profit or loss and remeasurements of the defined benefit liability are recognised in other comprehensive income.

(23) **Operating leases**

(a) ***Operating lease charges***

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(b) ***Assets leased out under operating leases***

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 2(14). Impairment losses are recognised in accordance with the accounting policies described in Note 2(16)(b). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

(24) **Income tax**

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(25) **Provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(26) **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(27) **Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group;

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(28) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(1) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) *Classification of financial assets*

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require management judgements. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of IAS 39 and their implications to the presentation in the Financial Information.

(b) *Unbundling, classification and significant risk testing of contracts*

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts. In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing insurance risk significance tests. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(c) *Measurement unit for insurance contracts*

The Group shall make judgements on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement unit would affect the measurement results of insurance contract liabilities.

(d) *Impairment of available-for-sale equity financial instruments*

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires management judgement. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc..

(e) ***Significant influence when less than 20% of voting power is held***

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, but one or more of the following indicators are present:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

An investee as accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39. The reasons for existence of significant influence over some investees, even though the voting power held by the Group is less than 20%, are disclosed in Note 30 to the Financial Information.

(2) **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of Relevant Periods are detailed below, which will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

(a) ***Insurance risk significance test***

The Group implements insurance risk significance test at the first recognised day of a contract, and makes necessary review at the end of each of the Relevant Periods.

The Group determines whether the primary insurance contract and reinsurance contract can be unbundled on the basis of a comprehensive understanding of the policy of primary insurance and reinsurance and other related real contracts and agreements. For those that can be unbundled, the Group unbundles them into insurance and non-insurance components; for those that cannot be unbundled, the Group judges whether they transfer significant insurance risk and whether they have commercial substance. The Group determines insurance and reinsurance contracts as insurance contracts directly if they are reasonably self-evident; for other contracts, the Group uses the proportion of insurance risk to measure the significant level of risk transferring. The Group determines whether the insurance and reinsurance contracts transfer significant risk using the following methods and standards:

(i) *Property and casualty reinsurance contracts*

The Group considers reinsurance policies with expected reinsurer deficit ("ERD") larger than 1% as reinsurance contracts, according to "Guidelines for Implementation of Insurance Risk Significance Test" issued by the CIRC. When calculating ERD of reinsurance policies, the Group selects appropriate loss distribution, based on its own historical claim experience and stochastic simulation method.

(ii) *Life and health reinsurance contracts*

When signing a reinsurance contract (or a facultative policy), the Group determines whether it transfers significant insurance risk based on qualitative assessment or quantitative analysis. In the case that a contract transfers significant insurance risk, it will be determined as a reinsurance contract; otherwise it will be determined as non-reinsurance contract. The Group performs examination on such test at the end of each of the Relevant Periods.

The Group performs the following steps on life and health reinsurance business's risk significance test:

Firstly, determine whether the reinsurance business transfers all the insurance risk. For a long-term reinsurance business which generates from primary insurance, and where the ceding company transfers all the risk, the Group determines it as a reinsurance contract.

Secondly, for a life or health reinsurance contract that does not transfer all the risk, determine if it is reasonably self-evident. Contracts that are reasonably self-evident are determined as reinsurance contracts. Such conditions include: i) the business having apparent characteristics of transferring insurance risks, namely the ceding company transfers the primary insurance risk of primary insurance business to reinsurer; and ii) no apparent loss participation clauses such as loss compensation, loss distribution pro rata, etc. in place. Businesses that are considered reasonably self-evident need to be reviewed every year to ensure the reasonableness of these conditions.

Thirdly, the Group uses scenario testing methods for risk significance test for those contracts not transferring all insurance risk and not reasonably self-evident.

(iii) *Primary property and casualty insurance contracts*

A primary insurance policy is identified as an insurance contract if its ratio of insurance risk transferred is larger than 5%; otherwise it should be treated as a non-insurance contract.

As property and casualty policies usually satisfy the above risk significance test, the Group determines that most of the property and casualty policies can be treated as insurance contracts directly.

(b) ***Reinsurance premium***

For reinsurance contracts, the Group estimates the ultimate premium collected by cedants during the Relevant Periods, and calculates the Group's share of the premiums according to the reinsurance contract terms. The estimation is based on the information provided by the cedant, as well as the historical premium development pattern. A change of the estimation method may impact the Group's financial position and operating results.

(c) ***Insurance contract liabilities***

(i) *Property and casualty reinsurance contract reserves*

- Risk margin

According to the "*Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises*" (NO. 6 [2010]), issued by the CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

When measuring reserves for property and casualty reinsurance contracts, the risk margin has been calculated using the 75% percentile approach and the cost of capital approach, with reference to industry benchmarks.

- Discount rate

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Level of impact depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves. The Group determines the assumption of discount rate according to the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn, without considering liquidity risk premium, tax effect, credit risk premium and so on. The assumption of discount rates for the Group's property and casualty reinsurance business used as at 31 December 2012, 2013 and 2014 and 30 June 2015 are 2.6%-3.1%, 3.1%-3.7%, 3.1%-4.6% and 3.2%-3.4%, respectively.

(ii) *Life and health reinsurance contract reserves*

Life and health reinsurance contract reserves are determined by the reasonable estimation of future benefit, expense, premium as well as the risk margin. Assumptions adopted when making reasonable estimations such as mortality rate, morbidity rate, lapse rate, discount rate and loss adjustment expenses are determined by the Group's historical experience and reasonable future expectation. The risk margin reflects the uncertainty of insurance liability brought by the cash flows uncertainty of future benefit, expense and premium.

- Discount rate

For contracts wherein profit in the future is not impacted by the asset portfolio investment return of the ceded company, the Group uses the "Yield Curve of Insurance Contract Reserves" published by chinabond.com.cn and also considers the liquidity risk premium when determining the time value of money.

The discount rates including the liquidity risk premium used as at 31 December 2012, 2013 and 2014 and 30 June 2015 are 3.1%-5.6%, 3.6%-5.8%, 3.7%-6.1% and 3.7%-6.1%, respectively.

For contracts wherein profit in the future is impacted by the investment return of the ceded company, the Group uses the assumption of investment return as the discount rate to determine the time value of money. The assumption of investment return is determined by the Group's expectation on the investment return in the future and is applied on the estimation of the cash flow and risk margin.

- The probability of insurance event

The Group determines the probability of insurance event according to historical experience and the expectation in the future. For mortality data, the Group uses "China Life Insurance Mortality Table" issued by the CIRC in addition to its historical experience. For other assumptions, the Group would mainly refer to its historical experience, the pricing assumption or the industry benchmarks.

- Expense assumption

The Group determines the expense assumption according to its historical experience and the future expectation. The Group would also consider inflation metrics to determine the expense assumption if the assumption is sensitive to inflationary pressures.

The lapse rate and other assumptions for reserving are determined using the Group's reliable historical experience, current situations and future expectations.

(iii) *Primary property and casualty insurance contract reserves*

- Risk margin

According to the "*Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises*" (NO. 6 [2010]), issued by the CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

The risk margin has been calculated using the 75% percentile approach by the Group, with reference to industry benchmarks.

- Discount rate

The Group adopts the "Yield Curve of Insurance Contract Reserves" issued by chinabond.com.cn when determining the time value of money, without considering liquidity risk premium, tax effect, credit risk premium and so on. The assumption of discount rates for the Group's property and casualty insurance business used as at 31 December 2012, 2013 and 2014 and 30 June 2015 are 2.5%-2.7%, 3.0%-3.2%, 3.1%-3.3% and 3.2%-3.3%, respectively.

(d) ***Fair value of financial instruments***

The Group invests primarily in debt investments, equity investments, time deposits, financial assets held under resale agreements and so on. The Group's significant accounting estimates and judgements regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value. In assessing the impairment, the Group has considered various factors (see Note 2(16)(a)). The fair values of quoted investments are based on current bid prices. The fair value is the price at which two knowing parties transact willingly in a fair trade rather than under on compulsion or in liquidation.

The Group estimates the fair value of financial instruments using the following methods and assumptions:

- Debt investments: usually, fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques.

- Equity investments: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

- Time deposits, debt investment schemes, trust schemes, wealth management products, financial assets held under resale agreements and securities sold under agreements to repurchase: the book value on the consolidated statements of financial position approximates to fair value.

(e) ***Impairment of goodwill***

The Group performs goodwill impairment test annually. The recoverable amount of an asset group or a set of asset groups including goodwill is determined as "value-in-use" amount. The value-in-use is determined based on certain assumptions, including premium growth rate, investment yield, expense rate, and actuarial assumptions on insurance risks and discount rate. The expected earning is calculated by the management based on the historical performance and the expectation from the markets. The premium growth rate is generally consistent with the market expectation on the entire industry. The discount rate shall be a pre-tax rate and reflect the individual risk of an asset group or a set of asset groups.

(f) ***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits as well as the applicable tax rates.

There are some uncertainties on the estimation of future taxable profit as it involves a number of estimations for future transactions, including whether the actuarial assumptions and experience are consistent, the performance of future investment market, as well as the impacts of any changes in corporate tax law.

(g) ***Retirement benefit liabilities***

The Group measured certain employee retirement benefits using projected unit credit method, when these benefit plans met the definition of defined benefit plans as set out in IAS 19. Carrying value of these liabilities and the principal assumptions used in measuring these liabilities are set out in Note 41 to the Financial Information.

(h) ***Impairment of held-to-maturity investments, investments classified as loans and receivables, reinsurance debtors and other receivables***

When there is objective evidence that there is impairment in above investments and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of these assets. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, the Group also collectively assesses impairment for receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

The Group makes judgement on whether there is an indication that non-current assets other than financial assets may be impaired as at the end of the reporting period. When any such indication exists, the Group performs impairment testing for the asset or a group of assets and makes estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Group determines the recoverable amount according to the higher of the fair value less costs of disposal and the present value of expected future cash flows. Fair value less costs of disposal is determined with reference to the prices in sales agreements or observable market prices of similar assets in fair transactions. When using the present value of estimated future cash flows, management must use the estimated future cash flows of the asset or a group of assets, and select the appropriate discount rate to determine the present value of the future cash flows.

4 SEGMENT INFORMATION

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

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

- The property and casualty reinsurance segment 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 offers a wide range of reinsurance products, such as life, health and accident insurance.

- The primary property and casualty insurance segment offers a wide variety of primary insurance products to both personal and corporate customers including motor, property and liability insurance, etc.

- The asset management segment comprises asset management services.

- Other segment provides management and support for the Group's business through its strategy, risk management, actuary, finance, legal and human resources functions; and other operating and insurance agent business of 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).

As the total income, net profit, assets and liabilities of operations outside Mainland China constitutes only around 1% of the consolidated amounts in the Financial Information, geographical segmental information is not presented.

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

	Year ended 31 December 2012						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	26,209,500	16,056,660	17,940,114	—	—	(907,267)	59,299,007
Less: Premiums ceded to reinsurers and retrocessionaires	(592,688)	(900,228)	(1,844,659)	—	—	908,920	(2,428,655)
Net written premiums	25,616,812	15,156,432	16,095,455	—	—	1,653	56,870,352
Changes in unearned premium reserves	(964,942)	8,301	(616,010)	—	—	(4,542)	(1,577,193)
Net premiums earned	24,651,870	15,164,733	15,479,445	—	—	(2,889)	55,293,159
Reinsurance commission income	75,653	130,133	629,604	—	—	(377,308)	458,082
Investment income	1,416,625	1,472,200	739,064	10,509	788,088	(309,532)	4,116,954
Exchange gains/(losses), net	15,569	598	(1,055)	(153)	828	(88)	15,699
Other income	3,278	362,486	111,447	100,563	222,604	(133,499)	666,879
Total income	**26,162,995**	**17,130,150**	**16,958,505**	**110,919**	**1,011,520**	**(823,316)**	**60,550,773**
- External income	25,243,035	17,130,112	17,501,594	10,528	665,504	—	60,550,773
- Inter-segment income	919,960	38	(543,089)	100,391	346,016	(823,316)	—
Claims and policyholders' benefits	(14,332,049)	(14,113,354)	(9,314,007)	—	—	(673)	(37,760,083)
- Claims incurred	(14,332,049)	(1,816,583)	(9,314,007)	—	—	(673)	(25,463,312)
- Life and health reinsurance death and other benefits paid	—	(5,936,096)	—	—	—	—	(5,936,096)
- Changes in long-term life and health reinsurance contract liabilities	—	(6,360,675)	—	—	—	—	(6,360,675)
Handling charges and commissions	(9,860,494)	(2,393,115)	(1,763,120)	—	—	380,719	(13,636,010)
Finance costs	(63,435)	(69,598)	(48,066)	(1,525)	(60,645)	—	(243,269)
Other operating and administrative expenses	(453,018)	(214,042)	(4,871,395)	(107,962)	(476,600)	144,832	(5,978,185)
Total benefits, claims and expenses	**(24,708,996)**	**(16,790,109)**	**(15,996,588)**	**(109,487)**	**(537,245)**	**524,878**	**(57,617,547)**
Share of profits of associates	—	—	—	—	—	—	—
Profit before tax	**1,453,999**	**340,041**	**961,917**	**1,432**	**474,275**	**(298,438)**	**2,933,226**
Income tax	(309,315)	(63,249)	(253,783)	(1,136)	3,861	8,074	(615,548)
Profit for the year	**1,144,684**	**276,792**	**708,134**	**296**	**478,136**	**(290,364)**	**2,317,678**

	Year ended 31 December 2013						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	30,085,935	18,394,305	19,909,200	—	—	(1,014,385)	67,375,055
Less: Premiums ceded to reinsurers and retrocessionaires	(488,499)	(2,035,686)	(2,045,831)	—	—	1,012,142	(3,557,874)
Net written premiums	29,597,436	16,358,619	17,863,369	—	—	(2,243)	63,817,181
Changes in unearned premium reserves	(1,794,516)	(55,025)	(853,538)	—	—	(2,000)	(2,705,079)
Net premiums earned	27,802,920	16,303,594	17,009,831	—	—	(4,243)	61,112,102
Reinsurance commission income	41,262	238,608	629,378	—	—	(367,632)	541,616
Investment income	1,855,101	2,299,348	896,529	11,665	1,379,559	(451,491)	5,990,711
Exchange gains/(losses), net	4,754	34,853	(181)	(32)	(9,430)	8,732	38,696
Other income	5,228	291,102	89,270	172,237	245,308	(185,129)	618,016
Total income	**29,709,265**	**19,167,505**	**18,624,827**	**183,870**	**1,615,437**	**(999,763)**	**68,301,141**
- External income	28,733,635	19,167,446	19,228,639	39,192	1,132,229	—	68,301,141
- Inter-segment income	975,630	59	(603,812)	144,678	483,208	(999,763)	—
Claims and policyholders' benefits	(16,743,040)	(13,796,110)	(10,991,845)	—	—	(4,245)	(41,535,240)
- Claims incurred	(16,743,040)	(2,357,438)	(10,991,845)	—	—	(4,245)	(30,096,568)
- Life and health reinsurance death and other benefits paid	—	(7,729,262)	—	—	—	—	(7,729,262)
- Changes in long-term life and health reinsurance contract liabilities	—	(3,709,410)	—	—	—	—	(3,709,410)
Handling charges and commissions	(10,510,391)	(3,702,902)	(1,957,243)	—	—	371,436	(15,799,100)
Finance costs	(60,753)	(56,058)	(40,518)	(889)	(50,472)	—	(208,690)
Other operating and administrative expenses	(227,293)	(395,417)	(5,349,975)	(169,799)	(508,772)	184,026	(6,467,230)
Total benefits, claims and expenses	**(27,541,477)**	**(17,950,487)**	**(18,339,581)**	**(170,688)**	**(559,244)**	**551,217**	**(64,010,260)**
Share of profits of associates	—	—	—	—	—	—	—
Profit before tax	**2,167,788**	**1,217,018**	**285,246**	**13,182**	**1,056,193**	**(448,546)**	**4,290,881**
Income tax	(444,457)	(268,938)	(46,906)	(4,924)	(136,718)	6,597	(895,346)
Profit for the year	**1,723,331**	**948,080**	**238,340**	**8,258**	**919,475**	**(441,949)**	**3,395,535**

	Year ended 31 December 2014						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	31,134,519	21,080,581	22,458,973	—	—	(921,367)	73,752,706
Less: Premiums ceded to reinsurers and retrocessionaires	(631,405)	(2,532,385)	(1,942,551)	—	—	914,841	(4,191,500)
Net written premiums	30,503,114	18,548,196	20,516,422	—	—	(6,526)	69,561,206
Changes in unearned premium reserves	482,826	(112,714)	(1,082,674)	—	—	3,764	(708,798)
Net premiums earned	30,985,940	18,435,482	19,433,748	—	—	(2,762)	68,852,408
Reinsurance commission income	80,004	462,000	618,083	—	—	(373,455)	786,632
Investment income	2,228,226	2,921,473	1,160,327	23,132	1,304,407	(4,398)	7,633,167
Exchange (losses)/gains, net	(101,281)	8,136	(1,549)	30	1,105	168	(93,391)
Other income	3,650	210,561	125,923	276,086	260,466	(256,372)	620,314
Total income	**33,196,539**	**22,037,652**	**21,336,532**	**299,248**	**1,565,978**	**(636,819)**	**77,799,130**
- External income	32,287,449	22,037,596	21,876,382	79,586	1,518,117	—	77,799,130
- Inter-segment income	909,090	56	(539,850)	219,662	47,861	(636,819)	—
Claims and policyholders' benefits	(19,818,605)	(19,086,167)	(11,472,532)	—	—	238	(50,377,066)
- Claims incurred	(19,818,605)	(2,852,751)	(11,472,532)	—	—	238	(34,143,650)
- Life and health reinsurance death and other benefits paid	—	(11,297,780)	—	—	—	—	(11,297,780)
- Changes in long-term life and health reinsurance contract liabilities	—	(4,935,636)	—	—	—	—	(4,935,636)
Handling charges and commissions	(10,382,893)	(989,836)	(2,232,209)	—	—	378,492	(13,226,446)
Finance costs	(42,662)	(23,288)	(41,983)	(477)	(21,901)	—	(130,311)
Other operating and administrative expenses	(257,215)	(598,801)	(6,449,875)	(280,561)	(630,147)	264,200	(7,952,399)
Total benefits, claims and expenses	**(30,501,375)**	**(20,698,092)**	**(20,196,599)**	**(281,038)**	**(652,048)**	**642,930**	**(71,686,222)**
Share of profits of associates	5,675	474,242	6,075	—	425,292	(17,424)	893,860
Profit before tax	**2,700,839**	**1,813,802**	**1,146,008**	**18,210**	**1,339,222**	**(11,313)**	**7,006,768**
Income tax	(557,963)	(398,573)	(272,773)	(5,407)	(299,613)	3,124	(1,531,205)
Profit for the year	**2,142,876**	**1,415,229**	**873,235**	**12,803**	**1,039,609**	**(8,189)**	**5,475,563**

	Six months ended 30 June 2014 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	15,587,117	8,774,476	11,094,271	—	—	(491,785)	34,964,079
Less: Premiums ceded to reinsurers and retrocessionaires	(306,348)	(1,579,915)	(1,116,013)	—	—	487,109	(2,515,167)
Net written premiums	15,280,769	7,194,561	9,978,258	—	—	(4,676)	32,448,912
Changes in unearned premium reserves	37,757	(80,276)	(750,763)	—	—	3,678	(789,604)
Net premiums earned	15,318,526	7,114,285	9,227,495	—	—	(998)	31,659,308
Reinsurance commission income	48,387	228,843	356,720	—	—	(205,250)	428,700
Investment income	1,071,128	1,441,477	456,513	8,119	1,100,104	(1,760)	4,075,581
Exchange gains/(losses), net	9,500	7,230	2,693	528	2,795	(3,283)	19,463
Other income	1,394	136,722	34,284	86,763	127,677	(86,850)	299,990
Total income	**16,448,935**	**8,928,557**	**10,077,705**	**95,410**	**1,230,576**	**(298,141)**	**36,483,042**
- External income	15,970,103	8,928,526	10,350,478	27,868	1,206,067	—	36,483,042
- Inter-segment income	478,832	31	(272,773)	67,542	24,509	(298,141)	—
Claims and policyholders' benefits	(9,763,557)	(7,732,432)	(5,478,162)	—	—	(1,050)	(22,975,201)
- Claims incurred	(9,763,557)	(1,508,108)	(5,478,162)	—	—	(1,050)	(16,750,877)
- Life and health reinsurance death and other benefits paid	—	(6,530,924)	—	—	—	—	(6,530,924)
- Changes in long-term life and health reinsurance contract liabilities	—	306,600	—	—	—	—	306,600
Handling charges and commissions	(5,031,754)	(57,725)	(1,104,194)	—	—	189,896	(6,003,777)
Finance costs	(19,282)	(3,600)	(12,515)	(329)	(15,147)	—	(50,873)
Other operating and administrative expenses	(154,318)	(241,015)	(2,752,799)	(93,871)	(216,053)	87,661	(3,370,395)
Total benefits, claims and expenses	**(14,968,911)**	**(8,034,772)**	**(9,347,670)**	**(94,200)**	**(231,200)**	**276,507**	**(32,400,246)**
Share of profits of associates	—	177,014	—	—	162,322	—	339,336
Profit before tax	**1,480,024**	**1,070,799**	**730,035**	**1,210**	**1,161,698**	**(21,634)**	**4,422,132**
Income tax	(317,521)	(211,621)	(170,850)	(913)	(241,506)	1,625	(940,786)
Profit for the period	**1,162,503**	**859,178**	**559,185**	**297**	**920,192**	**(20,009)**	**3,481,346**

	Six months ended 30 June 2015						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	14,813,430	15,543,026	13,290,818	—	—	(599,544)	43,047,730
Less: Premiums ceded to reinsurers and retrocessionaires	(316,189)	(2,978,155)	(1,216,825)	—	—	598,400	(3,912,769)
Net written premiums	14,497,241	12,564,871	12,073,993	—	—	(1,144)	39,134,961
Changes in unearned premium reserves	30,554	(205,176)	(1,171,561)	—	—	36,453	(1,309,730)
Net premiums earned	14,527,795	12,359,695	10,902,432	—	—	35,309	37,825,231
Reinsurance commission income	35,438	106,322	378,795	—	—	(228,453)	292,102
Investment income	2,832,611	3,717,858	1,784,331	18,956	906,186	(2,476)	9,257,466
Exchange (losses)/gains, net	(63,365)	(9,061)	(996)	149	(270)	4,447	(69,096)
Other income	2,179	66,477	44,919	118,043	148,944	(118,078)	262,484
Total income	**17,334,658**	**16,241,291**	**13,109,481**	**137,148**	**1,054,860**	**(309,251)**	**47,568,187**
- External income	16,820,625	16,241,239	13,418,460	51,497	1,036,366	—	47,568,187
- Inter-segment income	514,033	52	(308,979)	85,651	18,494	(309,251)	—
Claims and policyholders' benefits	(8,951,341)	(12,261,353)	(6,043,689)	—	—	(2,908)	(27,259,291)
- Claims incurred	(8,951,341)	(1,410,471)	(6,043,689)	—	—	(2,908)	(16,408,409)
- Life and health reinsurance death and other benefits paid	—	(3,694,459)	—	—	—	—	(3,694,459)
- Changes in long-term life and health reinsurance contract liabilities	—	(7,156,423)	—	—	—	—	(7,156,423)
Handling charges and commissions	(5,185,328)	(926,616)	(1,303,220)	—	—	230,887	(7,184,277)
Finance costs	(14,952)	(36,837)	(9,913)	(271)	(13,024)	—	(74,997)
Other operating and administrative expenses	(276,222)	(456,239)	(3,812,660)	(124,534)	(443,515)	116,972	(4,996,198)
Total benefits, claims and expenses	**(14,427,843)**	**(13,681,045)**	**(11,169,482)**	**(124,805)**	**(456,539)**	**344,951**	**(39,514,763)**
Share of profits of associates	5,153	393,246	793	—	288,616	(2,379)	685,429
Profit before tax	**2,911,968**	**2,953,492**	**1,940,792**	**12,343**	**886,937**	**33,321**	**8,738,853**
Income tax	(666,821)	(699,443)	(471,991)	(4,409)	(207,688)	(6,909)	(2,057,261)
Profit for the period	**2,245,147**	**2,254,049**	**1,468,801**	**7,934**	**679,249**	**26,412**	**6,681,592**

	At 31 December 2012						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	45,806,488	55,528,573	24,888,355	352,355	42,492,638	(21,039,713)	148,028,696
Segment liabilities	(34,994,290)	(48,865,460)	(18,083,746)	(111,126)	(3,779,585)	2,074,814	(103,759,393)
Other segment information							
Capital expenditures	(6,369)	(7,146)	(297,893)	(3,263)	(18,690)	—	(333,361)
Depreciation and amortisation	(2,182)	(35,101)	(144,250)	(3,916)	(76,799)	—	(262,248)
Interest income	1,193,135	1,526,674	751,449	11,717	930,451	—	4,413,426
Impairment loss charges	(52,243)	(23,581)	(17,328)	—	(123,882)	—	(217,034)

	At 31 December 2013						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	48,361,832	61,428,424	25,506,273	380,669	41,670,102	(22,518,707)	154,828,593
Segment liabilities	(36,172,972)	(53,425,124)	(18,762,590)	(135,088)	(1,976,317)	1,531,413	(108,940,678)
Other segment information							
Capital expenditures	(3,919)	(7,410)	(254,291)	(10,547)	(13,401)	—	(289,568)
Depreciation and amortisation	(4,252)	(29,711)	(140,134)	(5,629)	(79,680)	—	(259,406)
Interest income	1,325,819	2,009,193	802,338	10,765	803,068	—	4,951,183
Impairment loss reversals/(charges)	2,740	13,284	(18,678)	—	(7,229)	—	(9,883)

	At 31 December 2014						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	52,035,193	87,119,292	30,348,713	788,962	44,323,718	(24,940,700)	189,675,178
Segment liabilities	(36,784,022)	(76,098,732)	(20,560,249)	(220,909)	(2,841,068)	1,464,510	(135,040,470)
Other segment information							
Capital expenditures	(617,796)	(862,995)	(451,895)	(6,156)	(670,163)	—	(2,609,005)
Depreciation and amortisation	(4,432)	(26,069)	(150,365)	(5,895)	(79,324)	—	(266,085)
Interest income	1,516,615	2,214,049	932,789	17,468	779,747	—	5,460,668
Impairment loss reversals/(charges)	1,031	14,877	(4,990)	—	460	—	11,378

	At 30 June 2014 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	50,544,735	63,365,851	28,723,586	641,527	42,922,398	(23,443,292)	162,754,805
Segment liabilities	(37,370,916)	(54,199,699)	(21,290,975)	(91,040)	(2,344,874)	1,997,042	(113,300,462)
Other segment information							
Capital expenditures	(382,090)	(536,606)	(49,692)	(2,729)	(416,691)	—	(1,387,808)
Depreciation and amortisation	(2,146)	(12,983)	(71,763)	(2,828)	(39,771)	—	(129,491)
Interest income	737,624	1,037,607	433,240	8,112	411,784	—	2,628,367
Impairment loss charges	—	—	(7,334)	—	(521)	—	(7,855)

	At 30 June 2015						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	58,554,054	118,665,070	34,903,983	760,820	45,782,796	(27,872,368)	230,794,355
Segment liabilities	(41,404,328)	(105,810,387)	(23,796,061)	(180,997)	(4,302,451)	4,306,766	(171,187,458)
Other segment information							
Capital expenditures	(81,456)	(108,913)	(127,155)	(4,703)	(88,436)	—	(410,663)
Depreciation and amortisation	(2,405)	(11,553)	(82,574)	(3,319)	(40,165)	—	(140,016)
Interest income	771,650	1,220,608	521,670	8,625	331,689	—	2,854,242
Impairment loss charges	—	—	(21,647)	—	2,538	—	(19,109)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Long-term life and health reinsurance	12,300,448	13,553,510	15,220,825	6,019,602	12,944,629
Short-term life and health reinsurance	3,756,212	4,840,795	5,859,756	2,754,874	2,598,397
Property and casualty reinsurance	25,341,208	29,135,839	30,316,219	15,150,427	14,279,715
Primary property and casualty insurance	17,901,139	19,844,911	22,355,906	11,039,176	13,224,989
Total	59,299,007	67,375,055	73,752,706	34,964,079	43,047,730

(b) Premiums ceded to reinsurers and retrocessionaires

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Long-term life and health reinsurance	—	930,492	1,018,065	995,489	2,499,536
Short-term life and health reinsurance	900,228	1,105,261	1,514,319	584,426	478,619
Property and casualty reinsurance	589,449	486,163	630,219	305,256	316,189
Primary property and casualty insurance	938,978	1,035,958	1,028,897	629,996	618,425
Total	2,428,655	3,557,874	4,191,500	2,515,167	3,912,769

(c) Net written premiums

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Net written premiums	56,870,352	63,817,181	69,561,206	32,448,912	39,134,961

6 CHANGES IN UNEARNED PREMIUM RESERVES

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Short-term life and health reinsurance	(8,301)	55,025	112,714	80,276	205,176
Property and casualty reinsurance	974,757	1,806,436	(474,548)	(31,398)	(59,521)
Primary property and casualty insurance	610,737	843,618	1,070,632	740,726	1,164,075
Total	1,577,193	2,705,079	708,798	789,604	1,309,730

7 INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest, dividend and rental income (a)	4,861,942	5,429,055	5,816,444	2,885,507	3,265,115
Realised (losses)/gains (b)	(588,175)	623,566	(304,647)	(1,009,224)	5,800,645
Unrealised gains/(losses) (c)	98,971	(51,443)	55,059	132,987	122,803
Negative goodwill arising from reclassification of investments in associates	—	—	2,066,311	2,066,311	—
Negative goodwill arising from investments in associates	—	—	—	—	68,903
Impairment losses (d)	(255,784)	(10,467)	—	—	—
Total	4,116,954	5,990,711	7,633,167	4,075,581	9,257,466

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest income					
Current and time deposits	2,400,510	2,554,696	2,593,148	1,308,138	1,238,730
Debt securities					
- Held-to-maturity	658,958	859,122	955,578	470,002	472,984
- Available-for-sale	1,205,503	1,161,995	1,162,668	576,149	657,959
- Held-for-trading	44,960	36,152	48,194	26,323	15,703
- Loans and receivables	91,452	243,561	671,313	238,572	456,280
Financial assets held under resale agreements	9,221	93,076	25,400	8,379	11,537
Policy loans	2,822	2,581	4,367	804	1,049
Subtotal	4,413,426	4,951,183	5,460,668	2,628,367	2,854,242
Dividend income					
Equity securities					
- Available-for-sale	371,776	403,733	284,718	222,377	360,750
- Held-for-trading	46,938	39,636	30,222	15,479	28,991
Subtotal	418,714	443,369	314,940	237,856	389,741
Rental income from investment property	29,802	34,503	40,836	19,284	21,132
Total	4,861,942	5,429,055	5,816,444	2,885,507	3,265,115

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

Dividend income					
Listed equity securities	312,436	327,678	241,607	197,630	279,191
Unlisted equity securities	106,278	115,691	73,333	40,226	110,550
Total	418,714	443,369	314,940	237,856	389,741

(b) **Realised (losses)/gains**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Debt securities					
- Available-for-sale	46,810	(53,766)	5,317	(6,527)	5,021
- Held-for-trading	(35,927)	30,924	348,479	1,134	(189)
- Held-to-maturity	(7,429)	—	—	—	—
Equity securities					
- Available-for-sale	(537,399)	671,080	(677,832)	(956,340)	5,163,155
- Held-for-trading	(54,230)	(24,672)	19,389	(47,491)	443,774
- Investments in associates	—	—	—	—	188,884
Total	(588,175)	623,566	(304,647)	(1,009,224)	5,800,645

(c) **Unrealised gains/(losses)**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Debt securities					
- Held-for-trading	22,749	(63,720)	47,292	142,010	4,562
Equity securities					
- Held-for-trading	76,222	12,277	7,767	(9,023)	118,241
Total	98,971	(51,443)	55,059	132,987	122,803

(d) **Impairment losses**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Equity securities					
- Available-for-sale	(255,784)	(10,467)	—	—	—
Total	(255,784)	(10,467)	—	—	—

8 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest income from deposits retained by cedants	363,286	293,523	206,363	135,841	59,928
Fee income from insurance brokerage services	119,575	136,914	147,509	75,472	87,162
Commission income arising from the tax collection of motor vehicles and vessels	47,254	60,029	72,079	30,194	36,989
Management fee income	5,454	33,011	54,548	19,479	28,244
Government grants	3,184	2,730	41,277	227	2,813
Income from the disposals of property and equipment, and intangible assets	58,855	2,723	8,543	665	717
Guarantee fee income	6,829	12,671	7,188	1,166	1,709
Others	62,442	76,415	82,807	36,946	44,922
Total	666,879	618,016	620,314	299,990	262,484

9 CLAIMS AND POLICYHOLDERS' BENEFITS

	Year ended 31 December 2012		
	Gross	Ceded	Net
Claims incurred	26,901,904	(1,438,592)	25,463,312
- Short-term life and health reinsurance	2,545,892	(729,309)	1,816,583
- Property and casualty reinsurance	14,032,908	(193,306)	13,839,602
- Primary property and casualty insurance	10,323,104	(515,977)	9,807,127
Life and health reinsurance death and other benefits paid	5,936,096	—	5,936,096
Changes in long-term life and health reinsurance contract liabilities	6,360,675	—	6,360,675
Total	39,198,675	(1,438,592)	37,760,083

	Year ended 31 December 2013		
	Gross	Ceded	Net
Claims incurred	31,995,481	(1,898,913)	30,096,568
- Short-term life and health reinsurance	3,183,890	(827,009)	2,356,881
- Property and casualty reinsurance	16,413,564	(301,414)	16,112,150
- Primary property and casualty insurance	12,398,027	(770,490)	11,627,537
Life and health reinsurance death and other benefits paid	7,736,643	(7,381)	7,729,262
Changes in long-term life and health reinsurance contract liabilities	4,661,098	(951,688)	3,709,410
Total	44,393,222	(2,857,982)	41,535,240

	Year ended 31 December 2014		
	Gross	Ceded	Net
Claims incurred	36,697,453	(2,553,803)	34,143,650
- Short-term life and health reinsurance	3,834,986	(982,235)	2,852,751
- Property and casualty reinsurance	19,621,842	(186,516)	19,435,326
- Primary property and casualty insurance	13,240,625	(1,385,052)	11,855,573
Life and health reinsurance death and other benefits paid	11,583,114	(285,334)	11,297,780
Changes in long-term life and health reinsurance contract liabilities	5,699,417	(763,781)	4,935,636
Total	53,979,984	(3,602,918)	50,377,066

	Six months ended 30 June 2014 *(Unaudited)*		
	Gross	Ceded	Net
Claims incurred	17,580,539	(829,662)	16,750,877
- Short-term life and health reinsurance	1,828,835	(320,727)	1,508,108
- Property and casualty reinsurance	9,688,075	(95,592)	9,592,483
- Primary property and casualty insurance	6,063,629	(413,343)	5,650,286
Life and health reinsurance death and other benefits paid	6,678,835	(147,911)	6,530,924
Changes in long-term life and health reinsurance contract liabilities	580,455	(887,055)	(306,600)
Total	24,839,829	(1,864,628)	22,975,201

	Six months ended 30 June 2015		
	Gross	Ceded	Net
Claims incurred	17,174,495	(766,086)	16,408,409
- Short-term life and health reinsurance	1,752,798	(342,327)	1,410,471
- Property and casualty reinsurance	8,805,267	(70,827)	8,734,440
- Primary property and casualty insurance	6,616,430	(352,932)	6,263,498
Life and health reinsurance death and other benefits paid	4,093,022	(398,563)	3,694,459
Changes in long-term life and health reinsurance contract liabilities	9,369,891	(2,213,468)	7,156,423
Total	30,637,408	(3,378,117)	27,259,291

10 HANDLING CHARGES AND COMMISSIONS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Long-term life and health reinsurance	1,386,760	2,362,868	(577,583)	(643,228)	389,052
Short-term life and health reinsurance	1,005,958	1,340,031	1,567,419	700,953	537,564
Property and casualty reinsurance	9,490,725	10,155,833	10,031,734	4,856,213	4,974,004
Primary property and casualty insurance	1,752,567	1,940,368	2,204,876	1,089,839	1,283,657
Total	13,636,010	15,799,100	13,226,446	6,003,777	7,184,277

11 FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interests expenses					
Securities sold under agreements to repurchase	243,269	208,690	130,311	50,873	74,997

12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Employee costs	1,964,869	2,109,929	2,765,331	1,130,753	1,512,249
Business taxes and surcharges	1,035,095	1,131,020	1,269,318	596,040	1,054,276
Office and travel expenses	548,722	597,710	777,956	329,937	416,808
Advertising and promotion expenses	403,841	549,395	760,863	266,099	587,076
Interests expenses of policyholders' deposits and investment contracts	75,646	197,885	279,722	126,963	190,226
Rental expenses	192,032	231,691	266,201	133,410	156,321
Depreciation and amortisation	205,192	215,967	223,561	108,424	111,361
Insurance protection fund	143,218	158,768	178,864	88,317	105,804
Regulatory fees	64,440	68,046	83,602	37,288	37,445
Losses on disposals of non-current assets	9,473	2,457	2,577	948	1,122
Impairment losses	(38,750)	(584)	(11,378)	7,855	19,109
Others	1,374,407	1,204,946	1,355,782	544,361	804,401
Total	5,978,185	6,467,230	7,952,399	3,370,395	4,996,198

13 PROFIT BEFORE TAX

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Employee costs (including directors' and supervisors' emoluments) (a) (*note*)	2,297,917	2,488,427	3,140,184	1,311,881	1,721,633
Depreciation of property and equipment (*note*)	181,758	179,330	185,002	89,763	100,390
Depreciation of investment property (*note*)	26,714	26,713	26,714	13,356	13,356
Amortisation of intangible assets (*note*)	53,776	53,363	54,369	26,372	26,270
Rental expenses (*note*)	229,904	281,261	324,111	161,549	190,872
Auditors' remuneration	3,300	3,400	3,100	—	—
Impairment losses on available-for-sale financial assets	255,784	10,467	—	—	—
Impairment (reversal)/losses on premiums receivable	(3,099)	11,988	(5,766)	7,334	21,854
Impairment losses/(reversal) on reinsurance debtors	19,724	(1,819)	9,513	570	(2,538)
Impairment reversal on other assets	(55,375)	(10,753)	(15,125)	(49)	(207)

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Salaries, allowances and performance related bonuses	1,775,584	1,924,281	2,455,711	1,036,745	1,247,282
Contributions to defined contribution plan	522,333	564,146	684,473	275,136	353,501
Contributions to defined benefit retirement plan	—	—	—	—	120,850
Total	2,297,917	2,488,427	3,140,184	1,311,881	1,721,633

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.

14 DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	Total
Executive directors					
Mr. Li Peiyu	—	511	799	206	1,516
Mr. Zhang Hong (i)	—	451	683	187	1,321
Mr. Wang Pingsheng (i)	—	438	670	187	1,295
Mr. Ren Xiaobing (i)	—	181	279	86	546
Mr. Wu Gaolian (ii)	—	385	464	169	1,018
Mr. Pang Jiying (ii)	—	382	445	158	985
Independent non-executive directors					
Mr. Li Xiaoying	200	—	—	—	200
Ms. Li Xiufang	200	—	—	—	200
Ms. Wang Jun	200	—	—	—	200
Supervisors					
Mr. Wang Yonggang	—	443	686	190	1,319
Mr. Wei Shiping	—	—	—	—	—
Mr. Ouyang Jinbao	—	—	—	—	—
Mr. Qin Hongbo	—	583	406	164	1,153
Mr. Fan Guosheng	—	489	211	144	844
Total	**600**	**3,863**	**4,643**	**1,491**	**10,597**

(i) Mr. Zhang Hong, Mr. Wang Pingsheng and Mr. Ren Xiaobing were appointed as executive directors since 23 August 2012.

(ii) Mr. Wu Gaolian and Mr. Pang Jiying retired from executive directors with effect from 23 August 2012.

	Year ended 31 December 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	Total
Executive directors					
Mr. Li Peiyu	—	508	874	219	1,601
Mr. Zhang Hong	—	467	768	195	1,430
Mr. Wang Pingsheng	—	444	733	193	1,370
Mr. Ren Xiaobing	—	444	733	192	1,369
Independent non-executive directors					
Mr. Li Xiaoying	200	—	—	—	200
Ms. Li Xiufang	200	—	—	—	200
Ms. Wang Jun	200	—	—	—	200
Supervisors					
Mr. Wang Yonggang	—	455	751	197	1,403
Mr. Wei Shiping	—	—	—	—	—
Mr. Ouyang Jinbao	—	—	—	—	—
Mr. Qin Hongbo	—	583	434	203	1,220
Mr. Fan Guosheng	—	489	267	171	927
Total	**600**	**3,390**	**4,560**	**1,370**	**9,920**

	Year ended 31 December 2014				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	Total
Executive directors					
Mr. Li Peiyu	—	467	962	261	1,690
Mr. Zhang Hong	—	431	844	236	1,511
Mr. Wang Pingsheng	—	409	807	233	1,449
Mr. Ren Xiaobing	—	409	807	232	1,448
Non-executive directors					
Ms. Lu Xiuli (iii)	—	—	—	—	—
Mr. Shen Shuhai (iii)	—	—	—	—	—
Independent non-executive directors					
Mr. Li Xiaoying (iv)	200	—	—	—	200
Ms. Li Xiufang (iv)	200	—	—	—	200
Ms. Wang Jun	200	—	—	—	200
Mr. Hao Yansu (v)	—	—	—	—	—
Mr. Li Sanxi (v)	—	—	—	—	—
Supervisors					
Mr. Wang Yonggang	—	419	826	237	1,482
Mr. Wei Shiping	—	—	—	—	—
Mr. Ouyang Jinbao (vi)	—	—	—	—	—
Mr. Qin Hongbo (vi)	—	625	649	226	1,500
Mr. Fan Guosheng (vi)	—	479	359	185	1,023
Mr. Zhu Yong (vii)	—	—	—	—	—
Mr. Cao Shunming (vii)	—	625	649	214	1,488
Mr. Lin Wei (vii)	—	601	494	215	1,310
Total	**600**	**4,465**	**6,397**	**2,039**	**13,501**

(iii) Ms. Lu Xiuli and Mr. Shen Shuhai were appointed as non-executive directors since 29 December 2014.

(iv) Mr. Li Xiaoying and Ms. Li Xiufang retired from independent non-executive directors with effect from 29 December 2014.

(v) Mr. Hao Yansu and Mr. Li Sanxi were appointed as independent non-executive directors since 29 December 2014.

(vi) Mr. Ouyang Jinbao, Mr. Qin Hongbo and Mr. Fan Guosheng retired from supervisors with effect from 29 December 2014.

(vii) Mr. Zhu Yong, Mr. Cao Shunming and Mr. Lin Wei were appointed as supervisors since 29 December 2014.

	Six months ended 30 June 2014 (Unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	Total
Executive directors					
Mr. Li Peiyu	—	234	481	121	836
Mr. Zhang Hong	—	213	422	109	744
Mr. Wang Pingsheng	—	204	403	107	714
Mr. Ren Xiaobing	—	204	403	107	714
Independent non-executive directors					
Mr. Li Xiaoying	100	—	—	—	100
Ms. Li Xiufang	100	—	—	—	100
Ms. Wang Jun	100	—	—	—	100
Supervisors					
Mr. Wang Yonggang	—	209	413	109	731
Mr. Wei Shiping	—	—	—	—	—
Mr. Ouyang Jinbao	—	—	—	—	—
Mr. Qin Hongbo	—	296	324	106	726
Mr. Fan Guosheng	—	242	180	87	509
Total	**300**	**1,602**	**2,626**	**746**	**5,274**

	Six months ended 30 June 2015				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	Total
Executive directors					
Mr. Li Peiyu	—	153	179	124	456
Mr. Zhang Hong	—	153	179	112	444
Mr. Wang Pingsheng	—	140	161	110	411
Mr. Ren Xiaobing	—	140	161	110	411
Non-executive directors					
Ms. Lu Xiuli	—	—	—	—	—
Mr. Shen Shuhai	—	—	—	—	—
Independent non-executive directors					
Ms. Wang Jun	100	—	—	—	100
Mr. Hao Yansu	100	—	—	—	100
Mr. Li Sanxi	100	—	—	—	100
Supervisors					
Mr. Wang Yonggang	—	153	179	112	444
Mr. Wei Shiping	—	—	—	—	—
Mr. Zhu Yong	—	—	—	—	—
Mr. Cao Shunming	—	308	292	106	706
Mr. Lin Wei	—	295	222	102	619
Total	**300**	**1,342**	**1,373**	**776**	**3,791**

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is director for the year ended 31 December 2012, which are disclosed in Note 14. The aggregate of the emoluments in respect of the remaining individuals is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Salaries, allowance and benefits in kind	2,776	2,764	4,944	1,956	1,770
Discretionary bonus	3,484	5,910	8,144	4,373	4,774
Contributions to defined contribution plan	800	1,067	951	489	502
Total	7,060	9,741	14,039	6,818	7,046

The number of non-directors/supervisors, highest paid individuals whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
RMB nil to RMB 500,000	—	—	—	—	—
RMB 500,001 to RMB 1,000,000	—	—	—	—	—
RMB 1,000,001 to RMB 1,500,000	—	—	—	4	4
RMB 1,500,001 to RMB 2,000,000	4	4	—	1	—
RMB 2,000,001 to RMB 2,500,000	—	1	2	—	1
RMB 2,500,001 to RMB 3,000,000	—	—	2	—	—
RMB 3,000,001 to RMB 3,500,000	—	—	—	—	—
RMB 3,500,001 to RMB 4,000,000	—	—	1	—	—
Total	4	5	5	5	5

16 INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Current income tax					
Charge for the year/period	130,635	513,654	1,623,347	633,267	1,796,026
Under/(over)-provision in respect of prior years	5,474	(15,990)	(1,143)	(4,229)	5,525
Deferred income tax	479,439	397,682	(90,999)	311,748	255,710
Total	615,548	895,346	1,531,205	940,786	2,057,261

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit before tax	2,933,226	4,290,881	7,006,768	4,422,132	8,738,853
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned *(note)*	733,478	1,074,175	1,750,699	1,104,868	2,186,598
Tax effect of non-deductible expenses	33,214	31,997	26,750	8,892	48,138
Tax effect of non-taxable income	(165,524)	(193,528)	(263,136)	(164,622)	(213,300)
Tax effect of unused tax losses not recognised	8,906	31	118	7	7,675
Tax effect of using unrecognised tax losses	—	(1,339)	(33)	(4,130)	(3)
Under/(over)-provision in prior years	5,474	(15,990)	(1,143)	(4,229)	5,525
Withheld income tax on dividends	—	—	17,950	—	22,628
Income tax	615,548	895,346	1,531,205	940,786	2,057,261

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the Relevant Periods. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

17 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue for the Relevant Periods as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit attributable to the equity shareholders of the Company ...	2,262,487	3,373,200	5,404,320	3,433,049	6,577,796
Weighted average number of ordinary shares in issue (in thousands)	36,407,611	36,407,611	36,407,611	36,407,611	36,407,611
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)	0.06	0.09	0.15	0.09	0.18

There were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share for the Relevant Periods.

18 OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD AFTER TAX

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Items that may be reclassified subsequently to profit or loss					
Share of other comprehensive income of associates	—	—	136,807	67,959	49,083
Income tax	—	—	(34,202)	(16,989)	(12,327)
Sub-total	—	—	102,605	50,970	36,756
Gains/(losses) arising from changes in fair value of available-for-sale financial assets	1,038,405	(1,629,131)	4,103,555	(352,721)	3,812,502
Less: Reclassification adjustments for amounts transferred to profit or loss					
- Losses/(gains) on disposal	490,589	(617,314)	672,515	962,867	(5,168,176)
- Impairment losses	255,784	10,467	—	—	—
Income tax	(446,196)	553,755	(1,188,780)	(147,297)	338,919
Sub-total	1,338,582	(1,682,223)	3,587,290	462,849	(1,016,755)
Exchange differences on translation of financial statements of overseas subsidiaries	(564)	717	(5,617)	(868)	527
Total	1,338,018	(1,681,506)	3,684,278	512,951	(979,472)
Attributable to:					
Equity shareholders of the Company	1,329,879	(1,663,131)	3,632,216	502,804	(969,287)
Non-controlling interests	8,139	(18,375)	52,062	10,147	(10,185)
Total	1,338,018	(1,681,506)	3,684,278	512,951	(979,472)

19 CASH AND SHORT-TERM TIME DEPOSITS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Cash at banks and on hand	924,202	3,103,427	6,136,102	7,435,936
Time deposits with original maturity of no more than three months	1,717,755	4,111,722	1,502,539	446,549
Other monetary funds	97,331	109,817	265,481	649,405
Total	2,739,288	7,324,966	7,904,122	8,531,890

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Cash at banks and on hand	204,212	922,002	1,854,015	2,165,367
Time deposits with original maturity of no more than three months	1,401,985	2,784,233	175,452	137,332
Other monetary funds	12,997	19,118	35,981	52,561
Total	1,619,194	3,725,353	2,065,448	2,355,260

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Debt securities				
Government bonds	—	77	82	—
Corporate bonds	396,381	989,640	—	—
Equity securities				
Investment funds	53,335	231,476	4,567	—
Equity shares	109,581	365,605	540,914	1,544,170
Sub-total	559,297	1,586,798	545,563	1,544,170
Unlisted				
Debt securities				
Government bonds	—	18,240	19,113	19,426
Financial bonds	587,358	547,308	583,606	587,282
Corporate bonds	19,290	66,932	69,405	20,044
Equity securities				
Investment funds	3,977,039	422,165	1,320,603	460,280
Sub-total	4,583,687	1,054,645	1,992,727	1,087,032
Total	5,142,984	2,641,443	2,538,290	2,631,202

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Debt securities				
Government bonds	—	77	82	—
Corporate bonds	118,446	149,837	—	—
Equity securities				
Equity shares	12,846	55,617	74,171	607,634
Sub-total	131,292	205,531	74,253	607,634
Unlisted				
Debt securities				
Government bonds	—	18,240	19,113	19,426
Financial bonds	311,576	290,792	310,476	312,566
Equity securities				
Investment funds	300,000	4,658	201,903	—
Sub-total	611,576	313,690	531,492	331,992
Total	742,868	519,221	605,745	939,626

21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements of the Group and the Company contain only securities held under resale agreements, with details as follows:

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Securities - bonds				
Stock exchange	150,000	7,800	1,155,100	799,000
Inter-bank market	—	228,320	—	—
	150,000	236,120	1,155,100	799,000

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Securities - bonds				
Stock exchange	—	—	16,000	430,000

22 PREMIUMS RECEIVABLE

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Premiums receivable	529,024	552,815	644,234	1,272,848
Less: impairment provision	(89,105)	(82,127)	(55,096)	(76,082)
Carrying amount	439,919	470,688	589,138	1,196,766

(a) ***Ageing analysis***

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 3 months (inclusive)	385,723	426,044	490,228	1,041,601
3 months to 1 year (inclusive)	54,196	44,644	98,910	155,165
1 to 2 years (inclusive)	82,981	82,127	55,096	29,634
Over 2 years	6,124	—	—	46,448
Sub-total	529,024	552,815	644,234	1,272,848
Less: impairment provision	(89,105)	(82,127)	(55,096)	(76,082)
Total	439,919	470,688	589,138	1,196,766

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

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Balance at the beginning of the year/period	128,099	89,105	82,127	55,096
(Reversal)/charge for the year/period	(3,099)	11,988	(5,766)	21,854
Written off	(35,895)	(18,966)	(21,265)	(868)
Balance at the end of the year/period	89,105	82,127	55,096	76,082

23 REINSURANCE DEBTORS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Reinsurance debtors	11,858,987	14,988,874	11,829,418	22,979,717
Less: impairment provision	(90,021)	(86,041)	(95,824)	(93,225)
Carrying amount	11,768,966	14,902,833	11,733,594	22,886,492

(a) ***Ageing analysis***

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 3 months (inclusive)	11,071,976	14,194,714	11,357,027	22,471,657
3 months to 1 year (inclusive)	455,973	508,358	237,851	333,482
1 to 2 years (inclusive)	116,420	80,736	39,552	33,207
Over 2 years	214,618	205,066	194,988	141,371
Sub-total	11,858,987	14,988,874	11,829,418	22,979,717
Less: impairment provision	(90,021)	(86,041)	(95,824)	(93,225)
Total	11,768,966	14,902,833	11,733,594	22,886,492

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

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Balance at the beginning of the year/period	70,445	90,021	86,041	95,824
Charge/(reversal) for the year/period	19,724	(1,819)	9,513	(2,538)
Exchange difference	(148)	(2,161)	270	(61)
Balance at the end of the year/period	90,021	86,041	95,824	93,225

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Reinsurance debtors	1,546,888	1,028,336	1,262,805	2,242,888
Less: impairment provision	(71,088)	(68,492)	(66,749)	(64,158)
Carrying amount	1,475,800	959,844	1,196,056	2,178,730

(a) ***Ageing analysis***

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 3 months (inclusive)	1,037,166	681,342	1,006,352	1,987,796
3 months to 1 year (inclusive)	227,638	87,847	52,908	119,001
1 to 2 years (inclusive)	95,547	69,744	22,637	5,049
Over 2 years	186,537	189,403	180,908	131,042
Sub-total	1,546,888	1,028,336	1,262,805	2,242,888
Less: impairment provision	(71,088)	(68,492)	(66,749)	(64,158)
Total	1,475,800	959,844	1,196,056	2,178,730

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

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Balance at the beginning of the year/period	56,480	71,088	68,492	66,749
Charge/(reversal) for the year/period	14,734	(752)	(1,979)	(2,538)
Exchange difference	(126)	(1,844)	236	(53)
Balance at the end of the year/period	71,088	68,492	66,749	64,158

24 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Reinsurers' share of unearned premium reserves	583,939	595,378	633,949	808,663
Reinsurers' share of claim reserves	1,608,251	2,446,926	2,709,009	2,972,377
Reinsurers' share of life and health insurance contract reserves	—	951,688	1,715,469	3,928,937
Total	2,192,190	3,993,992	5,058,427	7,709,977

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Reinsurers' share of unearned premium reserves	9,219	18,543	7,423	43,711
Reinsurers' share of claim reserves	43,299	38,912	38,066	13,343
Total	52,518	57,455	45,489	57,054

25 TIME DEPOSITS

The remaining maturities of time deposits are as follows:

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 3 months (inclusive)	903,874	70,106	75,263	1,424,605
3 months to 1 year (inclusive)	3,001,171	205,109	1,863,326	5,316,112
1 to 2 years (inclusive)	200,000	1,400,000	13,703,000	17,703,000
2 to 3 years (inclusive)	2,200,000	13,703,000	13,820,000	6,500,000
3 to 4 years (inclusive)	13,703,000	13,820,000	1,500,000	1,000,000
4 to 5 years (inclusive)	14,270,000	1,500,000	1,000,000	1,300,000
Over 5 years	1,500,000	—	—	—
Total	35,778,045	30,698,215	31,961,589	33,243,717

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 3 months (inclusive)	482,674	56,106	—	—
3 months to 1 year (inclusive)	1,880,362	109	462,826	53,590
2 to 3 years (inclusive)	500,000	—	—	—
4 to 5 years (inclusive)	—	—	—	1,300,000
Total	2,863,036	56,215	462,826	1,353,590

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Available-for-sale debt securities				
Corporate bonds	7,721,096	8,389,775	7,306,821	7,383,303
Subordinated bonds	—	—	—	500,000
Available-for-sale equity investments				
Investment funds	5,281,914	5,045,957	6,197,268	9,351,807
Equity shares	8,790,638	10,390,422	8,813,224	8,336,050
Sub-total	21,793,648	23,826,154	22,317,313	25,571,160
Unlisted				
Available-for-sale debt securities				
Government bonds	20,392	38,465	40,305	40,965
Financial bonds	6,454,045	5,579,930	5,069,298	5,765,956
Corporate bonds	8,024,238	6,568,611	10,626,301	13,458,371
Subordinated bonds	2,337,148	2,730,122	2,273,277	1,331,286
Wealth management products	—	70,970	126,089	94,960
Available-for-sale equity investments				
Investment funds	2,931,820	2,616,682	5,181,040	6,261,974
Equity shares	300,000	300,000	300,000	600,300
Sub-total	20,067,643	17,904,780	23,616,310	27,553,812
Total	41,861,291	41,730,934	45,933,623	53,124,972

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Available-for-sale debt securities				
Corporate bonds	1,169,789	1,442,346	842,252	825,264
Available-for-sale equity investments				
Investment funds	878,167	631,923	358,357	435,477
Equity shares	6,130,490	4,380,131	1,752,954	1,616,901
Sub-total	8,178,446	6,454,400	2,953,563	2,877,642
Unlisted				
Available-for-sale debt securities				
Government bonds	—	38,465	40,305	40,965
Financial bonds	1,521,141	1,453,915	1,335,087	1,509,285
Corporate bonds	823,627	437,627	430,741	536,236
Subordinated bonds	542,040	—	—	—
Available-for-sale equity investments				
Investment funds	352,947	185,380	442,354	487,744
Equity shares	300,000	300,000	300,000	300,300
Sub-total	3,539,755	2,415,387	2,548,487	2,874,530
Total	11,718,201	8,869,787	5,502,050	5,752,172

27 HELD-TO-MATURITY INVESTMENTS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Government bonds	13,206	13,261	13,317	13,346
Corporate bonds	4,021,167	4,380,970	4,116,267	4,986,066
Sub-total	4,034,373	4,394,231	4,129,584	4,999,412
Unlisted				
Government bonds	94,101	93,800	108,684	108,920
Financial bonds	1,308,127	1,255,917	1,261,744	929,992
Corporate bonds	3,409,911	3,955,738	5,184,343	5,484,293
Subordinated bonds	8,142,791	8,145,399	7,470,768	7,471,090
Debt investment schemes	50,000	45,417	31,333	31,333
Sub-total	13,004,930	13,496,271	14,056,872	14,025,628
Total	17,039,303	17,890,502	18,186,456	19,025,040

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Listed				
Corporate bonds	—	25,125	25,072	25,049
Sub-total	—	25,125	25,072	25,049
Unlisted				
Financial bonds	596,469	595,739	594,990	263,275
Corporate bonds	389,886	364,798	364,629	364,296
Subordinated bonds	844,896	844,896	844,896	844,882
Sub-total	1,831,251	1,805,433	1,804,515	1,472,453
Total	1,831,251	1,830,558	1,829,587	1,497,502

28 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Debt investment schemes	2,765,000	4,985,000	9,210,000	10,390,000
Trust schemes	—	1,500,000	2,585,000	2,300,000
Subordinated debts	—	200,000	1,000,000	1,200,000
Government bonds	195,000	195,000	150,000	150,000
Wealth management products	—	500,000	—	—
Total	2,960,000	7,380,000	12,945,000	14,040,000

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Debt investment schemes	80,000	430,000	222,593	222,593
Government bonds	59,000	59,000	54,000	54,000
Total	139,000	489,000	276,593	276,593

29 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Unlisted investments, at cost	20,219,206	22,222,025	24,610,592	24,610,592

Particulars of the Company's primary subsidiaries are set out in Note 1.

30 INVESTMENTS IN ASSOCIATES

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Share of net assets				
- Listed shares	—	—	7,605,127	7,989,580
- Unlisted shares	6,247	6,247	103,519	108,730
Total	6,247	6,247	7,708,646	8,098,310

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Share of net assets				
- Listed shares	—	—	3,637,927	3,365,395
- Unlisted shares	6,247	6,247	3,519	4,372
Total	6,247	6,247	3,641,446	3,369,767

(a) Particulars of the Group's material associate are as follows:

Name of associate	Place of incorporation and business	Registered capital	Principle activities
		(RMB million)	
China Everbright Bank Company Limited ("CEB")	China	46,679	Commercial banking

	Proportion of ownership interest		
	Group's effective interest	Held by the Company	Held by a subsidiary
31 December 2014	4.28%	2.05%	2.23%
30 June 2015	4.28%	1.80%	2.48%

The Group has considered that 1) the Group nominated a representative as a board director of CEB, who participates in the policy-making process of CEB, including participation in decisions about dividends or other distributions; 2) the Company and its major subsidiaries, China Re P&C, China Re Life, China Continent Insurance and China Re AMC, entered into a strategic alliance agreement with CEB, under which the Group and CEB seek to develop comprehensive business cooperation; and 3) the Group collectively holds 4.28% of the outstanding shares of CEB, from publicly disclosed information of CEB, the Group collectively was the third largest shareholder of CEB as at 31 March 2014, and concluded to have significant influence over CEB. As such, the Group reclassified its investment in CEB as investments in associates and accounted for using the equity method.

As at 31 December 2014 and 30 June 2015, the market value of the Group's investment in CEB was RMB8,126 million and RMB8,650 million, respectively.

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and the differences in adopting accounting policies of the Group.

	CEB *(in RMB million)*	
	Year ended 31 December 2014	**Six months ended 30 June 2015**
Gross amounts of the associate		
Operating income	78,531	45,538
Profit before tax	38,554	21,490
Net profit (i)	28,883	16,241
Other comprehensive income (i)	4,052	1,426
Total comprehensive income (i)	32,935	17,667
	At 31 December 2014	**At 30 June 2015**
Total assets	2,735,729	2,999,055
Total liabilities	2,557,527	2,791,880
Net assets (ii)	177,694	186,679
Non-controlling interests	508	531

	At 31 December 2014	At 30 June 2015
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate (ii)	177,694	186,679
Group's effective interest	4.28%	4.28%
Group's share of net assets of the associate	7,605	7,990
Carrying amount in the Financial Information	7,605	7,990
Dividends received from the associate for the year/period	343	372
Reconciled to the Company's interests in the associate		
Gross amounts of net assets of the associate (ii)	177,694	186,679
Company's effective interest	2.05%	1.80%
Company's share of net assets of the associate	3,638	3,365
Carrying amount in the Financial Information	3,638	3,365
Dividends received from the associate for the year/period	164	156

(i) Amount attributable to shareholders of the associate.

(ii) Amount attributable to preferred shareholders of the associate is not included.

(b) Particulars of immaterial associates accounted for using the equity method are summarised as follows:

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Aggregate carrying amount of investments	6,247	6,247	103,519	108,730

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Aggregate amount of share of:				
- Net (loss)/profit	—	—	(2,276)	5,866
- Other comprehensive income	—	—	(16)	(224)
- Change in capital reserve	—	—	1,673	(431)
Total	—	—	(619)	5,211

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Aggregate carrying amount of investments	6,247	6,247	3,519	4,372

	Six months ended 30 June			Year ended 31 December
	2012	2013	2014	2015
Aggregate amount of share of:				
- Net (loss)/profit	—	—	(2,276)	1,508
- Other comprehensive income......................	—	—	(16)	(224)
- Change in capital reserve...........................	—	—	1,673	(431)
Total..	—	—	(619)	853

31 STATUTORY DEPOSITS

In accordance with relevant provision of Insurance Law of the PRC, the Company, China Re P&C, China Re Life, China Continent Insurance and Huatai Insurance Agency should place 20% of its issued capital as restricted statutory deposits, respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, details of the Group's statutory deposits are as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
The Company...	7,503,000	7,703,000	7,403,000	7,403,000
China Re P&C	1,740,000	1,740,000	1,940,000	2,040,000
China Re Life	1,280,000	2,250,000	1,550,000	1,550,000
China Continent Insurance	1,285,997	1,285,997	1,285,997	1,460,415
Huatai Insurance Agency.................................	1,294	1,319	1,354	1,354
Total..	11,810,291	12,980,316	12,180,351	12,454,769

32 INVESTMENT PROPERTY

The Group and the Company

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Cost				
Beginning of the year/period	647,310	647,310	647,310	647,310
Additions during the year/period	—	—	—	—
End of the year/period	647,310	647,310	647,310	647,310
Accumulated depreciation				
Beginning of the year/period	(134,075)	(160,789)	(187,502)	(214,216)
Charge for the year/period	(26,714)	(26,713)	(26,714)	(13,356)
End of the year/period	(160,789)	(187,502)	(214,216)	(227,572)
Carrying amount				
Beginning of the year/period	513,235	486,521	459,808	433,094
End of the year/period	486,521	459,808	433,094	419,738

According to the asset valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the fair value of investment property as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB 777 million, RMB 799 million, RMB 822 million and RMB 832 million, respectively.

33 PROPERTY AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction in progress	Leasehold improvement	Total
Cost							
Balance at 1 January 2012	2,043,254	61,400	339,736	462,575	147,645	35,528	3,090,138
Additions during the year	175,415	4,796	29,440	63,146	159,571	30,800	463,168
Disposals/transfers during the year	(50,209)	(4,890)	(21,655)	(56,742)	(177,322)	—	(310,818)
Balance at 31 December 2012	2,168,460	61,306	347,521	468,979	129,894	66,328	3,242,488

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction in progress	Leasehold improvement	Total
Additions during the year	42,408	5,400	31,388	47,540	132,978	26,039	285,753
Disposals/transfers during the year	(841)	(3,218)	(24,719)	(17,882)	(46,638)	(2,788)	(96,086)
Balance at 31 December 2013	2,210,027	63,488	354,190	498,637	216,234	89,579	3,432,155
Additions during the year	256,186	7,426	33,044	67,898	183,872	34,976	583,402
Disposals/transfers during the year	(933)	(2,705)	(21,813)	(21,540)	(249,004)	—	(295,995)
Balance at 31 December 2014	2,465,280	68,209	365,421	544,995	151,102	124,555	3,719,562
Additions during the period	—	2,658	9,819	35,765	7,664	16,295	72,201
Disposals/transfers during the period	—	(2,547)	(22,411)	(13,497)	(1,868)	—	(40,323)
Balance at 30 June 2015	2,465,280	68,320	352,829	567,263	156,898	140,850	3,751,440
Less: Accumulated depreciation							
Balance at 1 January 2012	(223,319)	(36,623)	(244,419)	(272,788)	—	(11,153)	(788,302)
Charge for the year	(66,485)	(6,613)	(31,008)	(59,939)	—	(17,713)	(181,758)
Written back on disposals	15,100	4,642	16,726	51,414	—	—	87,882
Balance at 31 December 2012	(274,704)	(38,594)	(258,701)	(281,313)	—	(28,866)	(882,178)
Charge for the year	(71,082)	(6,685)	(17,851)	(62,036)	—	(21,676)	(179,330)
Written back on disposals	57	2,893	23,035	19,536	—	2,788	48,309
Balance at 31 December 2013	(345,729)	(42,386)	(253,517)	(323,813)	—	(47,754)	(1,013,199)
Charge for the year	(74,530)	(6,857)	(22,192)	(58,269)	—	(23,154)	(185,002)
Written back on disposals	106	2,571	20,108	20,458	—	—	43,243
Balance at 31 December 2014	(420,153)	(46,672)	(255,601)	(361,624)	—	(70,908)	(1,154,958)
Charge for the period	(40,145)	(3,503)	(11,452)	(32,418)	—	(12,872)	(100,390)
Written back on disposals	—	2,029	22,001	10,552	—	—	34,582
Balance at 30 June 2015	(460,298)	(48,146)	(245,052)	(383,490)	—	(83,780)	(1,220,766)
Carrying amount							
Balance at 31 December 2012	1,893,756	22,712	88,820	187,666	129,894	37,462	2,360,310
Balance at 31 December 2013	1,864,298	21,102	100,673	174,824	216,234	41,825	2,418,956
Balance at 31 December 2014	2,045,127	21,537	109,820	183,371	151,102	53,647	2,564,604
Balance at 30 June 2015	2,004,982	20,174	107,777	183,773	156,898	57,070	2,530,674

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group was in the process of completing the ownership documentation of certain properties and buildings with a net carrying value of RMB 141 million, RMB 175 million, RMB 344 million and RMB 338 million, respectively. The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned properties and buildings.

The Company

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction in progress	Total
Cost						
Balance at 1 January 2012	968,717	25,084	12,251	29,269	—	1,035,321
Additions during the year	—	1,281	1,475	3,977	—	6,733
Disposals/transfers during the year	(3,860)	(110)	(544)	(138)	—	(4,652)
Balance at 31 December 2012	964,857	26,255	13,182	33,108	—	1,037,402
Additions during the year	—	1,209	1,204	4,136	—	6,549
Disposals/transfers during the year	—	—	(606)	(1,424)	—	(2,030)
Balance at 31 December 2013	964,857	27,464	13,780	35,820	—	1,041,921
Additions during the year	—	2,278	—	11,849	5,477	19,604
Disposals/transfers during the year	—	(138)	(673)	(209)	—	(1,020)
Balance at 31 December 2014	964,857	29,604	13,107	47,460	5,477	1,060,505
Additions during the period	—	113	—	2,725	4,733	7,571
Disposals/transfers during the period	—	(8)	—	(107)	(1,868)	(1,983)
Balance at 30 June 2015	964,857	29,709	13,107	50,078	8,342	1,066,093
Less: Accumulated depreciation						
Balance at 1 January 2012	(161,599)	(14,072)	(7,390)	(23,051)	—	(206,112)
Charge for the year	(32,868)	(2,438)	(1,370)	(2,390)	—	(39,066)
Written back on disposals	696	101	527	127		1,451
Balance at 31 December 2012	(193,771)	(16,409)	(8,233)	(25,314)	—	(243,727)
Charge for the year	(32,796)	(2,574)	(1,558)	(3,394)	—	(40,322)
Written back on disposals	—	—	588	1,361	—	1,949
Balance at 31 December 2013	(226,567)	(18,983)	(9,203)	(27,347)	—	(282,100)
Charge for the year	(32,795)	(2,784)	(1,122)	(3,678)	—	(40,379)
Written back on disposals	—	131	653	199	—	983
Balance at 31 December 2014	(259,362)	(21,636)	(9,672)	(30,826)	—	(321,496)
Charge for the period	(16,398)	(1,422)	(456)	(3,152)	—	(21,428)
Written back on disposals	—	20	—	101	—	121
Balance at 30 June 2015	(275,760)	(23,038)	(10,128)	(33,877)	—	(342,803)
Carrying amount						
Balance at 31 December 2012	771,086	9,846	4,949	7,794	—	793,675
Balance at 31 December 2013	738,290	8,481	4,577	8,473	—	759,821
Balance at 31 December 2014	705,495	7,968	3,435	16,634	5,477	739,009
Balance at 30 June 2015	689,097	6,671	2,979	16,201	8,342	723,290

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Company was in the process of completing the ownership documentation of certain properties and buildings with a net carrying value of RMB 7 million, RMB 7 million, RMB 6 million and RMB 6 million, respectively. The management are of the opinion that the Company is entitled to legally and effectively occupy or use the above-mentioned properties and buildings.

34 INTANGIBLE ASSETS

The Group

	VOBA	Software	Total
Cost			
Balance at 1 January 2012	420,059	175,537	595,596
Additions during the year	—	47,406	47,406
Disposals during the year	—	(730)	(730)
Balance at 31 December 2012	420,059	222,213	642,272
Additions during the year	—	73,504	73,504
Disposals during the year	—	(6,663)	(6,663)
Balance at 31 December 2013	420,059	289,054	709,113
Additions during the year	—	54,493	54,493
Disposals during the year	—	(865)	(865)
Balance at 31 December 2014	420,059	342,682	762,741
Additions during the period	—	18,737	18,737
Disposals during the period	—	—	—
Balance at 30 June 2015	420,059	361,419	781,478
Less: Accumulated amortisation			
Balance at 1 January 2012	(231,186)	(61,110)	(292,296)
Charge for the year	(30,872)	(22,904)	(53,776)
Written back on disposals	—	180	180
Balance at 31 December 2012	(262,058)	(83,834)	(345,892)
Charge for the year	(24,388)	(28,975)	(53,363)
Written back on disposals	—	4,421	4,421
Balance at 31 December 2013	(286,446)	(108,388)	(394,834)
Charge for the year	(20,350)	(34,019)	(54,369)
Written back on disposals	—	330	330
Balance at 31 December 2014	(306,796)	(142,077)	(448,873)
Charge for the period	(8,469)	(17,801)	(26,270)
Written back on disposals	—	—	—
Balance at 30 June 2015	(315,265)	(159,878)	(475,143)
Carrying amount			
Balance at 31 December 2012	158,001	138,379	296,380
Balance at 31 December 2013	133,613	180,666	314,279
Balance at 31 December 2014	113,263	200,605	313,868
Balance at 30 June 2015	104,794	201,541	306,335

The Company

	Software	Total
Cost		
Balance at 1 January 2012	24,992	24,992
Additions during the year	5,687	5,687
Disposals during the year	—	—
Balance at 31 December 2012	30,679	30,679
Additions during the year	6,338	6,338
Disposals during the year	—	—
Balance at 31 December 2013	37,017	37,017
Additions during the year	4,114	4,114
Disposals during the year	—	—
Balance at 31 December 2014	41,131	41,131
Additions during the period	1,940	1,940
Disposals during the period	—	—
Balance at 30 June 2015	43,071	43,071
Less: Accumulated amortisation		
Balance at 1 January 2012	(10,241)	(10,241)
Charge for the year	(6,593)	(6,593)
Written back on disposals	—	—
Balance at 31 December 2012	(16,834)	(16,834)
Charge for the year	(7,596)	(7,596)
Written back on disposals	—	—
Balance at 31 December 2013	(24,430)	(24,430)
Charge for the year	(6,949)	(6,949)
Written back on disposals	—	—
Balance at 31 December 2014	(31,379)	(31,379)
Charge for the period	(2,945)	(2,945)
Written back on disposals	—	—
Balance at 30 June 2015	(34,324)	(34,324)
Carrying amount		
Balance at 31 December 2012	13,845	13,845
Balance at 31 December 2013	12,587	12,587
Balance at 31 December 2014	9,752	9,752
Balance at 30 June 2015	8,747	8,747

35 GOODWILL

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Cost				
- China Re P&C	650,529	650,529	650,529	650,529
- China Re Life	463,630	463,630	463,630	463,630
- China Continent Insurance	74,379	74,379	74,379	74,379
Total	1,188,538	1,188,538	1,188,538	1,188,538
Less: impairment provision	—	—	—	—
Carrying amount	1,188,538	1,188,538	1,188,538	1,188,538

36 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Deferred tax assets	493,252	500,249	441,955	432,790
Deferred tax liabilities	(470,163)	(321,087)	(1,403,586)	(1,323,391)
	23,089	179,162	(961,631)	(890,601)

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Deferred tax liabilities	(191,569)	(158,612)	(626,697)	(593,046)
	(191,569)	(158,612)	(626,697)	(593,046)

(b) **Movements of deferred tax assets and deferred tax liabilities**

The Group

	Year ended 31 December 2012			
	Balance at 1 January 2012	Credited/ (charged) to profit or loss	Charged to reserves	Balance at 31 December 2012
Available-for-sale financial assets	240,231	6,331	(446,196)	(199,634)
Financial assets at fair value through profit or loss	25,680	(24,742)	—	938
Impairment provisions	220,181	(17,360)	—	202,821
Tax deductible losses	31,991	85,981	—	117,972
Premiums and reserves	396,796	(528,842)	—	(132,046)
Others	33,845	(807)	—	33,038
Total	948,724	(479,439)	(446,196)	23,089

	Year ended 31 December 2013			
	Balance at 1 January 2013	Credited/ (charged) to profit or loss	Credited to reserves	Balance at 31 December 2013
Available-for-sale financial assets	(199,634)	3,850	553,755	357,971
Financial assets at fair value through profit or loss	938	12,859	—	13,797
Impairment provisions	202,821	(69,056)	—	133,765
Tax deductible losses	117,972	(117,972)	—	—
Premiums and reserves	(132,046)	(226,976)	—	(359,022)
Others	33,038	(387)	—	32,651
Total	23,089	(397,682)	553,755	179,162

	Year ended 31 December 2014			
	Balance at 1 January 2014	Credited/ (charged) to profit or loss	Charged to reserves	Balance at 31 December 2014
Available-for-sale financial assets	357,971	(62)	(1,188,780)	(830,871)
Financial assets at fair value through profit or loss	13,797	(13,764)	—	33
Impairment provisions	133,765	(71,853)	—	61,912
Tax deductible losses	—	42	—	42
Premiums and reserves	(359,022)	640,393	—	281,371
Investments in associates	—	(512,396)	(35,915)	(548,311)
Others	32,651	48,639	(7,097)	74,193
Total	179,162	90,999	(1,231,792)	(961,631)

	Six months ended 30 June 2015			
	Balance at 1 January 2015	Charged to profit or loss	Credited/ (charged) to reserves	Balance at 30 June 2015
Available-for-sale financial assets	(830,871)	—	338,919	(491,952)
Financial assets at fair value through profit or loss	33	(30,495)	—	(30,462)
Impairment provisions	61,912	(2,361)	—	59,551
Tax deductible losses	42	—	—	42
Premiums and reserves	281,371	(108,366)	—	173,005
Investments in associates	(548,311)	(28,038)	(12,179)	(588,528)
Others	74,193	(86,450)	—	(12,257)
Total	(961,631)	(255,710)	326,740	(890,601)

The Company

	Year ended 31 December 2012			
	Balance at 1 January 2012	Credited/ (charged) to profit or loss	Charged to reserves	Balance at 31 December 2012
Available-for-sale financial assets	54,037	6,269	(307,118)	(246,812)
Financial assets at fair value through profit or loss	15,709	(17,108)	—	(1,399)
Impairment provisions	72,923	(11,817)	—	61,106
Tax deductible losses	—	117,907	—	117,907
Premiums and reserves	(69,746)	(73,518)	—	(143,264)
Others	32,367	(11,474)	—	20,893
Total	105,290	10,259	(307,118)	(191,569)

	Year ended 31 December 2013			
	Balance at 1 January 2013	Credited/ (charged) to profit or loss	Credited to reserves	Balance at 31 December 2013
Available-for-sale financial assets	(246,812)	3,851	156,443	(86,518)
Financial assets at fair value through profit or loss	(1,399)	10,860	—	9,461
Impairment provisions	61,106	(21,319)	—	39,787
Tax deductible losses	117,907	(117,907)	—	—
Premiums and reserves	(143,264)	5,573	—	(137,691)
Others	20,893	(4,544)	—	16,349
Total	(191,569)	(123,486)	156,443	(158,612)

	Year ended 31 December 2014			
	Balance at 1 January 2014	Credited/ (charged) to profit or loss	Charged to reserves	Balance at 31 December 2014
Available-for-sale financial assets	(86,518)	—	(70,418)	(156,936)
Financial assets at fair value through profit or loss	9,461	(6,176)	—	3,285
Impairment provisions	39,787	(11,391)	—	28,396
Premiums and reserves	(137,691)	(18,227)	—	(155,918)
Investments in associates	—	(367,135)	(17,187)	(384,322)
Others	16,349	22,449	—	38,798
Total	(158,612)	(380,480)	(87,605)	(626,697)

	Six months ended 30 June 2015			
	Balance at 1 January 2015	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at 30 June 2015
Available-for-sale financial assets	(156,936)	—	46,222	(110,714)
Financial assets at fair value through profit or loss	3,285	(11,041)	—	(7,756)
Impairment provisions	28,396	(5,172)	—	23,224
Premiums and reserves	(155,918)	(3,692)	—	(159,610)
Investments in associates	(384,322)	27,910	(3,338)	(359,750)
Others	38,798	(17,238)	—	21,560
Total	(626,697)	(9,233)	42,884	(593,046)

37 OTHER ASSETS

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Interest receivables	2,336,466	2,214,185	2,471,128	3,244,813
Amount due from Hantang Securities Co., Ltd.	197,123	181,591	—	—
Deposits retained by cedants	7,562,339	6,185,160	6,102,758	6,548,075
Prepayment for investment property	—	—	2,233,359	2,512,531
Claims prepaid	358,436	537,711	287,462	338,187
Deferred expenses	123,943	152,280	167,607	166,817
Investment contracts receivable (a)	218,730	80,830	14,592,612	28,618,725
Receivable from securities clearance	314,780	—	227,948	—
Taxes prepaid	36,227	162,538	282,928	—
Others	229,026	198,637	256,960	523,273
Total	11,377,070	9,712,932	26,622,762	41,952,421
Less: impairment provision	(214,991)	(202,733)	(19,248)	(19,072)
Net carrying amount	11,162,079	9,510,199	26,603,514	41,933,349

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Interest receivables	479,270	460,440	450,574	546,635
Dividend receivables	300,000	—	—	—
Deposits retained by cedants	317,104	285,715	298,055	824,399
Prepayment for investment property	—	—	644,483	725,044
Receivable from securities clearance	—	—	227,948	—
Taxes prepaid	36,227	—	238,600	—
Others	30,053	23,739	26,573	55,737
Total	1,162,654	769,894	1,886,233	2,151,815
Less: impairment provision	(15,363)	(15,218)	(15,235)	(15,230)
Net carrying amount	1,147,291	754,676	1,870,998	2,136,585

(a) ***Investment contracts receivable***

Investment contracts receivable represents receivable from cedants arising from reinsurance contracts which do not meet the definition of insurance contracts and are classified as investment contracts.

38 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Securities sold under agreements to repurchase				
- Stock exchange	2,942,000	3,480,880	1,600,900	5,472,471
- Inter-bank market	9,800,200	—	707,900	1,904,899
Total	12,742,200	3,480,880	2,308,800	7,377,370

As at 31 December 2012, 2013 and 2014 and 30 June 2015, debt securities with a carrying amount of RMB 22,022 million, RMB 12,624 million, RMB 12,146 million and RMB 13,645 million were pledged by the Group as assets sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Securities sold under agreements to repurchase				
- Stock exchange	830,600	628,000	531,900	700,471
- Inter-bank market	1,354,800	—	407,900	200,000
Total	2,185,400	628,000	939,800	900,471

As at 31 December 2012, 2013 and 2014 and 30 June 2015, debt securities with a carrying amount of RMB 2,679 million, RMB 1,467 million, RMB 1,279 million and RMB 1,063 million were pledged by the Company as assets sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.

39 INVESTMENT CONTRACT LIABILITIES

The Group

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Beginning of the year/period	569,717	1,961,397	5,017,345	21,192,010
Additions	1,419,645	7,307,197	37,029,450	23,344,185
Payments/surrenders	(3,906)	(4,307,678)	(21,194,169)	(6,979,180)
Fees deducted	(69,301)	(94,628)	89,512	(84,160)
Interest credited	45,242	151,057	249,872	177,850
End of the year/period	1,961,397	5,017,345	21,192,010	37,650,705

40 INSURANCE CONTRACT LIABILITIES

The Group

	31 December 2012		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	34,261,581	—	34,261,581
Short-term life and health reinsurance contracts (b)			
- Claim reserves	1,664,385	(740,676)	923,709
- Unearned premium reserves	677,473	(166,278)	511,195
Property and casualty reinsurance contracts (c)			
- Claim reserves	18,128,793	(237,031)	17,891,762
- Unearned premium reserves	8,457,926	(122,106)	8,335,820
Primary property and casualty insurance contracts (d)			
- Claim reserves	5,660,483	(630,544)	5,029,939
- Unearned premium reserves	7,279,457	(295,555)	6,983,902
Total insurance contract liabilities	76,130,098	(2,192,190)	73,937,908

	31 December 2013		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	38,898,291	(951,688)	37,946,603
Short-term life and health reinsurance contracts (b)			
- Claim reserves	2,080,961	(1,171,091)	909,870
- Unearned premium reserves	749,795	(183,574)	566,221
Property and casualty reinsurance contracts (c)			
- Claim reserves	19,767,089	(405,125)	19,361,964
- Unearned premium reserves	10,227,304	(145,256)	10,082,048
Primary property and casualty insurance contracts (d)			
- Claim reserves	7,145,614	(870,710)	6,274,904
- Unearned premium reserves	8,128,556	(266,548)	7,862,008
Total insurance contract liabilities	86,997,610	(3,993,992)	83,003,618

	31 December 2014		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	44,575,619	(1,715,469)	42,860,150
Short-term life and health reinsurance contracts (b)			
- Claim reserves	2,736,423	(845,218)	1,891,205
- Unearned premium reserves	861,694	(182,846)	678,848
Property and casualty reinsurance contracts (c)			
- Claim reserves	22,383,680	(414,410)	21,969,270
- Unearned premium reserves	9,775,402	(142,739)	9,632,663
Primary property and casualty insurance contracts (d)			
- Claim reserves	7,697,908	(1,449,381)	6,248,527
- Unearned premium reserves	9,214,812	(308,364)	8,906,448
Total insurance contract liabilities	97,245,538	(5,058,427)	92,187,111

	30 June 2015		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	53,937,912	(3,928,937)	50,008,975
Short-term life and health reinsurance contracts (b)			
- Claim reserves	2,736,108	(1,087,402)	1,648,706
- Unearned premium reserves	1,095,511	(211,287)	884,224
Property and casualty reinsurance contracts (c)			
- Claim reserves	22,095,601	(276,631)	21,818,970
- Unearned premium reserves	9,741,524	(200,395)	9,541,129
Primary property and casualty insurance contracts (d)			
- Claim reserves	8,388,148	(1,608,344)	6,779,804
- Unearned premium reserves	10,507,668	(396,981)	10,110,687
Total insurance contract liabilities	108,502,472	(7,709,977)	100,792,495

(a) ***Long-term life and health reinsurance contracts***

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	27,931,780	—	27,931,780
Additions	10,918,089	—	10,918,089
Payments	(1,975,694)	—	(1,975,694)
Surrenders	(3,946,688)	—	(3,946,688)
Others	1,334,094	—	1,334,094
At 31 December 2012	34,261,581	—	34,261,581
Additions	11,190,782	(923,040)	10,267,742
Payments	(1,906,231)	310	(1,905,921)
Surrenders	(5,816,509)	7,071	(5,809,438)
Others	1,168,668	(36,029)	1,132,639
At 31 December 2013	38,898,291	(951,688)	37,946,603
Additions	15,796,926	(960,475)	14,836,451
Payments	(1,434,003)	4,314	(1,429,689)
Surrenders	(10,149,110)	281,020	(9,868,090)
Others	1,463,515	(88,640)	1,374,875
At 31 December 2014	44,575,619	(1,715,469)	42,860,150
Additions	12,558,755	(2,494,649)	10,064,106
Payments	(2,698,989)	107,792	(2,591,197)
Surrenders	(1,387,215)	290,770	(1,096,445)
Others	889,742	(117,381)	772,361
At 30 June 2015	53,937,912	(3,928,937)	50,008,975

(b) ***Short-term life and health reinsurance contracts***

(i) *Claim reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	1,523,722	(364,725)	1,158,997
Claims incurred	2,560,397	(729,308)	1,831,089
Claims paid	(2,419,734)	353,357	(2,066,377)
At 31 December 2012	1,664,385	(740,676)	923,709
Claims incurred	3,181,782	(827,009)	2,354,773
Claims paid	(2,765,206)	396,594	(2,368,612)
At 31 December 2013	2,080,961	(1,171,091)	909,870
Claims incurred	3,826,278	(982,236)	2,844,042
Claims paid	(3,170,816)	1,308,109	(1,862,707)
At 31 December 2014	2,736,423	(845,218)	1,891,205
Claims incurred	1,764,572	(342,327)	1,422,245
Claims paid	(1,764,887)	100,143	(1,664,744)
At 30 June 2015	2,736,108	(1,087,402)	1,648,706

(ii) *Unearned premium reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	665,689	(146,193)	519,496
Premiums written	3,756,212	(900,228)	2,855,984
Premiums earned	(3,744,428)	880,143	(2,864,285)
At 31 December 2012	677,473	(166,278)	511,195
Premiums written	4,840,797	(1,105,260)	3,735,537
Premiums earned	(4,768,475)	1,087,964	(3,680,511)
At 31 December 2013	749,795	(183,574)	566,221
Premiums written	5,859,755	(1,514,319)	4,345,436
Premiums earned	(5,747,856)	1,515,047	(4,232,809)
At 31 December 2014	861,694	(182,846)	678,848
Premiums written	2,598,397	(478,619)	2,119,778
Premiums earned	(2,364,580)	450,178	(1,914,402)
At 30 June 2015	1,095,511	(211,287)	884,224

(c) ***Property and casualty reinsurance contracts***

(i) *Claim reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	15,826,399	(281,926)	15,544,473
Claims incurred	14,011,362	(193,205)	13,818,157
Claims paid	(11,708,968)	238,100	(11,470,868)
At 31 December 2012	18,128,793	(237,031)	17,891,762
Claims incurred	16,246,349	(299,490)	15,946,859
Claims paid	(14,608,053)	131,396	(14,476,657)
At 31 December 2013	19,767,089	(405,125)	19,361,964
Claims incurred	19,650,503	(185,865)	19,464,638
Claims paid	(17,033,912)	176,580	(16,857,332)
At 31 December 2014	22,383,680	(414,410)	21,969,270
Claims incurred	8,792,337	(70,555)	8,721,782
Claims paid	(9,080,416)	208,334	(8,872,082)
At 30 June 2015	22,095,601	(276,631)	21,818,970

(ii) *Unearned premium reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	7,618,572	(220,451)	7,398,121
Premiums written	25,495,400	(592,688)	24,902,712
Premiums earned	(24,656,046)	691,033	(23,965,013)
At 31 December 2012	8,457,926	(122,106)	8,335,820
Premiums written	29,272,985	(486,231)	28,786,754
Premiums earned	(27,503,607)	463,081	(27,040,526)
At 31 December 2013	10,227,304	(145,256)	10,082,048
Premiums written	30,444,217	(629,884)	29,814,333
Premiums earned	(30,896,119)	632,401	(30,263,718)
At 31 December 2014	9,775,402	(142,739)	9,632,663
Premiums written	14,280,420	(316,157)	13,964,263
Premiums earned	(14,314,298)	258,501	(14,055,797)
At 30 June 2015	9,741,524	(200,395)	9,541,129

(d) ***Primary property and casualty insurance contracts***

(i) *Claim reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	5,201,320	(494,334)	4,706,986
Claims incurred	10,328,568	(516,742)	9,811,826
Claims paid	(9,869,405)	380,532	(9,488,873)
At 31 December 2012	5,660,483	(630,544)	5,029,939
Claims incurred	12,393,975	(768,529)	11,625,446
Claims paid	(10,908,844)	528,363	(10,380,481)
At 31 December 2013	7,145,614	(870,710)	6,274,904
Claims incurred	13,221,284	(1,386,796)	11,834,488
Claims paid	(12,668,990)	808,125	(11,860,865)
At 31 December 2014	7,697,908	(1,449,381)	6,248,527
Claims incurred	6,620,603	(353,113)	6,267,490
Claims paid	(5,930,363)	194,150	(5,736,213)
At 30 June 2015	8,388,148	(1,608,344)	6,779,804

(ii) *Unearned premium reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	6,604,202	(254,864)	6,349,338
Premiums written	17,902,223	(935,739)	16,966,484
Premiums earned	(17,226,968)	895,048	(16,331,920)
At 31 December 2012	7,279,457	(295,555)	6,983,902
Premiums written	19,842,602	(1,035,958)	18,806,644
Premiums earned	(18,993,503)	1,064,965	(17,928,538)
At 31 December 2013	8,128,556	(266,548)	7,862,008
Premiums written	22,353,261	(1,029,231)	21,324,030
Premiums earned	(21,267,005)	987,415	(20,279,590)
At 31 December 2014	9,214,812	(308,364)	8,906,448
Premiums written	13,224,846	(618,456)	12,606,390
Premiums earned	(11,931,990)	529,839	(11,402,151)
At 30 June 2015	10,507,668	(396,981)	10,110,687

The Company

	31 December 2012		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	1,522,070	—	1,522,070
Property and casualty reinsurance contracts (b)			
- Claim reserves	5,713,950	(43,299)	5,670,651
- Unearned premium reserves	540,437	(9,219)	531,218
Total insurance contract liabilities	7,776,457	(52,518)	7,723,939

	31 December 2013		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	1,596,867	—	1,596,867
Property and casualty reinsurance contracts (b)			
- Claim reserves	4,668,766	(38,912)	4,629,854
- Unearned premium reserves	320,905	(18,543)	302,362
Total insurance contract liabilities	6,586,538	(57,455)	6,529,083

	31 December 2014		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	1,637,023	—	1,637,023
Property and casualty reinsurance contracts (b)			
- Claim reserves	4,308,735	(38,066)	4,270,669
- Unearned premium reserves	393,131	(7,423)	385,708
Total insurance contract liabilities	6,338,889	(45,489)	6,293,400

	30 June 2015		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	1,689,140	—	1,689,140
Property and casualty reinsurance contracts (b)			
- Claim reserves	4,364,224	(13,343)	4,350,881
- Unearned premium reserves	1,517,103	(43,711)	1,473,392
Total insurance contract liabilities	7,570,467	(57,054)	7,513,413

(a) ***Long-term life and health reinsurance contracts***

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	1,370,127	—	1,370,127
Additions	106,459	—	106,459
Payments	(33,091)	—	(33,091)
Surrenders	(14,781)	—	(14,781)
Others	93,356	—	93,356
At 31 December 2012	1,522,070	—	1,522,070
Additions	92,951	—	92,951
Payments	(35,724)	—	(35,724)
Surrenders	(20,186)	—	(20,186)
Others	37,756	—	37,756
At 31 December 2013	1,596,867	—	1,596,867
Additions	86,203	—	86,203
Payments	(40,503)	—	(40,503)
Surrenders	(19,436)	—	(19,436)
Others	13,892	—	13,892
At 31 December 2014	1,637,023	—	1,637,023
Additions	45,311	—	45,311
Payments	(22,725)	—	(22,725)
Surrenders	(9,733)	—	(9,733)
Others	39,264	—	39,264
At 30 June 2015	1,689,140	—	1,689,140

(b) **Property and casualty reinsurance contracts**

(i) *Claim reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	5,508,748	(48,498)	5,460,250
Claims incurred	1,674,890	4,397	1,679,287
Claims paid	(1,469,688)	802	(1,468,886)
At 31 December 2012	5,713,950	(43,299)	5,670,651
Claims incurred	609,395	4,280	613,675
Claims paid	(1,654,579)	107	(1,654,472)
At 31 December 2013	4,668,766	(38,912)	4,629,854
Claims incurred	683,685	(41,515)	642,170
Claims paid	(1,043,716)	42,361	(1,001,355)
At 31 December 2014	4,308,735	(38,066)	4,270,669
Claims incurred	650,341	(4,336)	646,005
Claims paid	(594,852)	29,059	(565,793)
At 30 June 2015	4,364,224	(13,343)	4,350,881

(ii) *Unearned premium reserves*

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2012	685,533	(23,955)	661,578
Premiums written	1,795,276	(95,636)	1,699,640
Premiums earned	(1,940,372)	110,372	(1,830,000)
At 31 December 2012	540,437	(9,219)	531,218
Premiums written	1,353,338	(50,736)	1,302,602
Premiums earned	(1,572,870)	41,412	(1,531,458)
At 31 December 2013	320,905	(18,543)	302,362
Premiums written	1,508,147	(76,306)	1,431,841
Premiums earned	(1,435,921)	87,426	(1,348,495)
At 31 December 2014	393,131	(7,423)	385,708
Premiums written	2,935,143	(73,807)	2,861,336
Premiums earned	(1,811,171)	37,519	(1,773,652)
At 30 June 2015	1,517,103	(43,711)	1,473,392

41 OTHER LIABILITIES

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Claims payable	185,020	183,787	326,992	106,817
Premiums received in advance	658,146	699,211	886,652	797,781
Salaries and welfare payable	651,276	631,998	977,259	816,277
Defined benefit retirement plan obligation (a)	—	—	—	120,850
Suspense account	279,525	175,681	349,275	371,314
Insurance protection fund payable	45,685	51,356	59,788	61,088
Regulatory fees payable	3,762	10,293	66,694	103,994
Payables for property and equipment	78,697	84,887	87,445	40,599
Deposits from cedants	256,527	256,089	308,118	269,880
Securities clearance payable	4,043	59,602	2,496,200	1,872,725
Handling charges and commissions payable	181,024	210,940	247,291	340,828
Taxes payable	263,219	168,072	198,663	286,548
Dividends payable	—	—	—	729,056
Others	725,560	754,937	577,523	736,594
Total	3,332,484	3,286,853	6,581,900	6,654,351

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Salaries and welfare payable	85,611	88,384	181,703	153,551
Defined benefit retirement plan obligation (a)	—	—	—	120,850
Suspense account	265,131	171,072	330,849	347,193
The CIRC regulatory fee payable	(799)	(456)	1,520	2,561
Deposits from cedants	5,619	5,577	5,239	5,025
Securities clearance payable	2,171	20,455	—	481,820
Taxes payable	26,442	1,009	1,062	12,022
Dividends payable	—	—	—	728,152
Others	30,744	43,267	55,329	74,735
Total	414,919	329,308	575,702	1,925,909

(a) ***Post-employment benefits - defined benefit retirement plan obligation***

The Company offers the following two defined benefit retirement plans as post-employment benefit to its retired and early retired staff:

(i) pension benefits for retired staff and pension benefits for early retired staff after they actually retire; and

(ii) medical allowances.

Such defined benefit retirement plans would cause actuarial risks to the Company, such as longevity risk and inflation risk. As these defined benefit retirement plans share the same risk and characteristic, disclosure is as follows:

1) The amount of the defined benefit retirement plan obligation and its changes recognised in the financial statements are as follows:

	Six months ended 30 June 2015
Opening balance	—
Cost of defined benefit retirement plans included in current profit or loss	
- Service cost in respect of prior years	120,850
Closing balance	120,850

2) *Actuarial assumption and sensitivity analysis*

Significant actuarial assumptions utilised by the Company when estimating the present value of the obligation of defined benefit retirement plan are as follows (presented in weighted average):

	At 30 June 2015
Discount rate	4%
Mortality rate (*note*)	Note
Expected average life	85
Annual growth rate of pension benefits	4%
Annual growth rate of medical allowances	7%

Note: The mortality rate is determined based on the China Life Insurance Mortality Table — Pension Business (2000-2003) issued by the CIRC in 2005.

At the end of the reporting period and with other assumptions held constant, the increased or decreased amount of the defined benefit retirement plan obligation of the Company due to the possible change in actuarial assumptions is listed as follows:

	At 30 June 2015
Discount rate increases by 0.25%	(3,951)
Discount rate decreases by 0.25%	4,166
Annual growth rate of pension benefits increases by 1%	15,897
Annual growth rate of pension benefits decreases by 1%	(13,117)

Although such analysis fails to consider the entire expected cash flow under the defined benefit retirement plans, it still offers the sensitive approximate valuation for the assumption.

42 SHARE CAPITAL

	At 31 December			At 30 June
	2012	2013	2014	2015
Issued and fully paid ordinary shares of RMB 1 each	36,407,611	36,407,611	36,407,611	36,407,611

43 RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Pursuant to the approval from the MOF, the Company recognised assets appraisal surplus from restructuring as capital reserve.

(b) Surplus reserve

Pursuant to the PRC Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company.

(c) **General risk reserve**

In accordance with the relevant regulations, the general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance business. The Group's respective entities would need to make appropriations to such reserve based on their respective profit or year-end risk assets as determined based on applicable financial regulations in the PRC, in their annual financial statements. This reserve is not available for profit distribution or transfer to capital.

(d) **Agriculture catastrophic loss reserve**

According to the relevant regulations of the PRC, which became effective from 1 January 2014, China Re P&C and China Continent Insurance are required to make appropriations to a reserve when the agricultural insurance records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases writing agricultural insurance business.

(e) **Retained profits**

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB 395 million, RMB 635 million, RMB 994 million and RMB 994 million to surplus reserve made by subsidiaries.

(f) **The movements in equity of the Company are set out below:**

	Share capital	Capital reserve	Surplus reserve	General risk reserve	Fair value reserve	Retained profits	Total
Balance at 1 January 2012	36,407,611	99,339	380,100	380,100	(192,466)	1,115,714	38,190,398
Changes in equity for 2012							
Total comprehensive income for the year	—	—	—	—	921,354	199,559	1,120,913
Dividends approved in respect of the previous year (RMB 0.12 cents per share)	—	—	—	—	—	(45,000)	(45,000)
Appropriation for surplus reserve	—	—	19,956	—	—	(19,956)	—
Appropriation for general risk reserve	—	—	—	19,956	—	(19,956)	—
Balance at 31 December 2012	36,407,611	99,339	400,056	400,056	728,888	1,230,361	39,266,311
Changes in equity for 2013							
Total comprehensive income for the year	—	—	—	—	(490,291)	1,403,890	913,599
Dividends approved in respect of the previous year (RMB 0.13 cents per share)	—	—	—	—	—	(48,000)	(48,000)
Appropriation for surplus reserve	—	—	140,389	—	—	(140,389)	—
Appropriation for general risk reserve	—	—	—	140,389	—	(140,389)	—
Transfer to National Social Security Fund	—	—	—	—	—	(41,900)	(41,900)
Balance at 31 December 2013	36,407,611	99,339	540,445	540,445	238,597	2,263,573	40,090,010

	Share capital	Capital reserve	Surplus reserve	General risk reserve	Fair value reserve	Retained profits	Total
Balance at 31 December 2013	36,407,611	99,339	540,445	540,445	238,597	2,263,573	40,090,010
Changes in equity for 2014							
Total comprehensive income for the year	—	—	—	—	281,286	1,837,150	2,118,436
Dividends approved in respect of the previous year (RMB 1.20 cents per share)	—	—	—	—	—	(436,891)	(436,891)
Appropriation for surplus reserve	—	—	183,715	—	—	(183,715)	—
Appropriation for general risk reserve	—	—	—	183,715	—	(183,715)	—
Transfer to National Social Security Fund	—	—	—	—	—	(2,885)	(2,885)
Others	—	4,146	—	—	—	—	4,146
Balance at 31 December 2014	36,407,611	103,485	724,160	724,160	519,883	3,293,517	41,772,816
Changes in equity for the six months ended 30 June 2015							
Total comprehensive income for the period	—	—	—	—	(128,429)	1,036,996	908,567
Dividends approved in respect of the previous year (RMB 2 cents per share)	—	—	—	—	—	(728,152)	(728,152)
Others	—	(875)	—	—	—	—	(875)
Balance at 30 June 2015	36,407,611	102,610	724,160	724,160	391,454	3,602,361	41,952,356

44 INTEREST HELD IN UNCONSOLIDATED STRUCTURED ENTITIES

(a) Interest held in structured entities sponsored by third-party institutions

The Group holds an interest in some structured entities sponsored by third-party institutions through investments. Such structured entities mainly include investment funds, wealth management products, debt investment schemes and trust schemes. The Group does not consolidate these structured entities. The nature and purpose of these structured entities is to generate asset management fees by providing management services for investors. They raise funds via issuing investment products to investors.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the carrying value of interest held by the Group and the Company in some structured entities sponsored by third-party institutions through investments of the Group and the Company is listed below:

The Group

	At 31 December 2012			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	8,213,734	—	4,030,374
Debt investment schemes	50,000	—	2,765,000	—
Total	50,000	8,213,734	2,765,000	4,030,374

	At 31 December 2013			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	7,662,639	—	653,640
Wealth management products	—	70,970	500,000	—
Debt investment schemes	45,417	—	3,135,000	—
Trust schemes	—	—	1,500,000	—
Total	45,417	7,733,609	5,135,000	653,640

	At 31 December 2014			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	11,141,130	—	1,325,170
Wealth management products	—	126,089	—	—
Debt investment schemes	31,333	—	3,570,000	—
Trust schemes	—	—	2,585,000	—
Total	31,333	11,267,219	6,155,000	1,325,170

	At 30 June 2015			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	15,160,714	—	460,280
Wealth management products	—	94,960	—	—
Debt investment schemes	31,333	—	4,450,000	—
Trust schemes	—	—	2,300,000	—
Total	31,333	15,255,674	6,750,000	460,280

The Company

	At 31 December 2012			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	1,231,114	—	300,000
Debt investment schemes	—	—	80,000	—
Total	—	1,231,114	80,000	300,000

	At 31 December 2013			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	817,303	—	4,658
Debt investment schemes	—	—	80,000	—
Total	—	817,303	80,000	4,658

	At 31 December 2014			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	765,135	—	201,903
Debt investment schemes	—	—	80,000	—
Total	—	765,135	80,000	201,903

	At 30 June 2015			
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	—	855,260	—	—
Debt investment schemes	—	—	80,000	—
Total	—	855,260	80,000	—

The maximum loss exposures of the interest held in structured entities sponsored by third-party institutions are their carrying amounts at the end of each of the Relevant Periods.

(b) **Interest held in the unconsolidated structured entities sponsored by the Group**

Unconsolidated structured entities sponsored by the Group mainly include the project asset-backed schemes and third-party entrusted asset management business products issued by the Group. The nature and purpose of these structured entities is to generate asset management fees by providing management services for investors. They raise funds via issuing investment products to investors.

Project asset-backed schemes

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the balances of the project asset-backed schemes sponsored by the Group but unconsolidated in the Financial Information amounted to nil, RMB 1.85 billion, RMB 8.25 billion, and RMB 10.20 billion respectively, among which nil, RMB 1.85 billion, RMB 5.88 billion and RMB 6.39 billion was held by the Group.

Third-party entrusted asset management business products

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the balances of the third-party entrusted asset management business products sponsored by the Group but unconsolidated in the Financial Information amounted to nil, RMB 53.28 billion, RMB 58.28 billion and RMB 57.73 billion, respectively.

(c) There are no unconsolidated structured entities sponsored by the Group but in which the Group has no interest as at 31 December 2012, 2013 and 2014 and 30 June 2015.

45 NOTE TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before tax to cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit before tax	2,933,226	4,290,881	7,006,768	4,422,132	8,738,853
Adjustments for:					
Investment income	(4,116,954)	(5,990,711)	(7,633,167)	(4,075,581)	(9,257,466)
Exchange (gains)/losses, net	(15,699)	(38,696)	93,391	(19,463)	69,096
Finance costs	243,269	208,690	130,311	50,873	74,997
Share of profits of associates	—	—	(893,860)	(339,336)	(685,429)
Impairment provisions	(38,750)	(584)	(11,378)	7,855	19,109
Depreciation of property and equipment	181,758	179,330	185,002	89,763	100,390
Depreciation of investment property	26,714	26,713	26,714	13,356	13,356
Amortisation of intangible assets	22,904	28,975	34,019	16,196	17,801
Gains on disposal of property and equipment and intangible assets, net	(49,382)	(266)	(5,966)	283	405
Increase in insurance contract liabilities	10,841,656	11,086,304	10,231,976	3,149,820	11,081,117
Increase in investment contract liabilities and policyholders' deposits	1,919,849	2,824,581	16,159,881	3,544,379	16,380,700
Increase in reinsurer's share of insurance contract liabilities	(466,588)	(1,795,853)	(1,024,946)	(778,413)	(2,475,725)
Increase in premiums receivable	(41,190)	(23,791)	(91,419)	(506,268)	(628,614)
Decrease/(increase) in reinsurance debtors	185,820	(3,129,887)	3,159,456	3,356,839	(11,150,299)
Increase/(decrease) in reinsurance payables	1,770,414	1,078,959	(4,094,347)	(2,426,224)	3,314,182
(Increase)/decrease in other assets	(2,005,631)	1,313,848	(14,632,083)	(3,802,220)	(14,559,572)
Increase/(decrease) in other liabilities	43,478	(34,285)	1,351,008	1,859,951	(305,635)
Cash generated from operations	11,434,894	10,024,208	9,991,360	4,563,942	747,266

(b) **Analysis of balances of cash and cash equivalents:**

	At 31 December			At 30 June
	2012	2013	2014	2015
Cash and short-term time deposits	2,739,288	7,324,966	7,904,122	8,531,890
Add: Securities purchased under resale agreements with original maturity of no more than three months	150,000	233,920	1,155,100	799,000
Less: Restricted cash at banks	(100,354)	(163,368)	(2,688,504)	(2,432,451)
Cash and cash equivalents at end of the year/period	2,788,934	7,395,518	6,370,718	6,898,439

46 RISK MANAGEMENT

(1) Insurance risk

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

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

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

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

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

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

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

The Group's insurance business mainly comes from Mainland China. The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance and reinsurance premium income in Note 5.

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

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

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

Sensitivity analysis

Changes of paid loss and other factors of property and casualty, short-term life and health insurance and reinsurance business may impact changes of assumptions and further unpaid claim estimates. If all other variables remain unchanged, a 1% increase in average claim cost will result in a decrease in profit before tax by RMB 427 million, RMB 485 million, RMB 546 million and RMB 274 million for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, respectively.

Several variables' sensitivity cannot be quantified, such as legal changes, uncertainty of loss estimation and so on. In addition, time delay exists among claims occurrence, reporting and closing.

Claim development tables

According to the characteristics of property and casualty, short-term life and health insurance and reinsurance business, the claim development information is disclosed based on accident year for primary insurance and underwriting year for reinsurance respectively:

(i) Primary insurance contracts(*)

Gross

	2010 and earlier	2011	2012	2013	2014	30 June 2015	Total
Cumulated loss estimate							
Year/ Period ending	28,622,289	8,317,284	9,705,509	11,641,703	12,351,301	6,463,226	
1 year later	28,654,717	8,337,102	9,933,303	11,994,602	12,378,175		
2 years later	28,561,100	8,147,712	9,832,167	11,789,877			
3 years later	28,502,014	8,063,761	9,820,224				
4 years later	28,467,611	8,060,495					
5 years later	28,470,511						
Cumulated loss estimate	28,470,511	8,060,495	9,820,224	11,789,877	12,378,175	6,463,226	76,982,508
Less: Cumulated paid loss	28,365,404	7,912,401	9,597,021	10,700,882	9,552,491	3,066,412	69,194,611
Add: Adjustments in prior periods and unallocated loss adjustment expense ("ULAE"), discount and risk margin							627,384
Unpaid loss estimate							8,415,281

Net

	2010 and earlier	2011	2012	2013	2014	30 June 2015	Total
Cumulated loss estimate							
Year/ Period ending	20,925,265	7,365,381	8,712,541	10,248,170	11,010,672	5,869,852	
1 year later	20,895,105	7,318,713	8,872,824	10,203,235	10,919,212		
2 years later	20,866,851	7,241,686	8,794,129	10,136,617			
3 years later	20,817,219	7,200,197	8,782,185				
4 years later	20,799,389	7,195,552					
5 years later	20,797,056						
Cumulated loss estimate	20,797,056	7,195,552	8,782,185	10,136,617	10,919,212	5,869,852	63,700,474
Less: Cumulated paid loss	20,728,568	7,112,667	8,631,457	9,510,682	8,881,654	2,896,560	57,761,588
Add: Adjustments in prior periods and ULAE, discount and risk margin							505,197
Unpaid loss estimate							6,444,083
Less: Unpaid loss estimate ceded to the Company and other fellow subsidiaries							(362,852)
Net unpaid loss estimate							6,806,935

(*) Primary insurance contracts presented include the ceded-in reinsurance business undertaken by China Continent Insurance.

(ii) Reinsurance contracts

Gross

	2010 and earlier	2011	2012	2013	2014	30 June 2015	Total
Cumulated loss estimate							
Year/ Period ending	155,606,291	15,486,103	18,445,759	23,104,937	24,149,283	10,666,497	
1 year later	152,354,051	15,555,388	18,739,272	23,071,837	23,724,923		
2 years later	151,717,977	15,231,144	18,127,971	23,205,194			
3 years later	150,817,854	14,875,074	18,237,873				
4 years later	150,515,061	14,827,589					
5 years later	150,251,295						
Cumulated loss estimate	150,251,295	14,827,589	18,237,873	23,205,194	23,724,923	10,666,497	240,913,371
Less: Cumulated paid loss	148,075,438	13,814,368	16,547,353	18,610,317	9,538,233	154,629	206,740,338
Unearned paid loss	2,177	842	6,878	18,133	2,324,080	7,773,089	10,125,199
Add: Risk margin, discount and ULAE	146,094	85,590	74,994	182,605	550,545	198,085	1,237,913
Unpaid loss estimate	2,319,774	1,097,969	1,758,636	4,759,349	12,413,155	2,936,864	25,285,747
Less: Unpaid loss estimate ceded by China							
Continent Insurance							481,171
Gross unpaid loss estimate							24,804,576

Net

	2010 and earlier	2011	2012	2013	2014	30 June 2015	Total
Cumulated loss estimate							
Year/ Period ending	154,293,769	14,825,849	17,375,110	21,356,260	22,616,450	9,487,224	
1 year later	151,098,567	14,953,104	18,433,264	21,965,990	22,013,795		
2 years later	150,609,970	14,594,567	17,632,977	22,279,228			
3 years later	149,681,901	14,230,294	17,751,069				
4 years later	149,358,853	14,185,635					
5 years later	149,403,206						
Cumulated loss estimate	149,403,206	14,185,635	17,751,069	22,279,228	22,013,795	9,487,224	235,120,157
Less: Cumulated paid loss	147,248,044	13,182,219	16,074,495	17,723,370	8,985,726	153,561	203,367,415
Unearned paid loss	1,980	811	6,852	17,962	2,306,596	6,548,675	8,882,876
Add: Risk margin, discount and ULAE	136,336	85,332	68,822	170,678	460,704	117,839	1,039,711
Unpaid loss estimate	2,289,518	1,087,937	1,738,544	4,708,574	11,182,177	2,902,827	23,909,577
Less: Unpaid loss estimate ceded by China Continent Insurance							469,032
Net unpaid loss estimate							23,440,545

(b) ***Assumptions and sensitivity analysis for long-term life and health insurance contracts***

Major assumptions

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

Residual margin related to life and health insurance contract reserve is amortised during the expected benefit period using assumptions as at policy inception, including discount rates, incident rates, lapse rates and expenses.

Sensitivity analysis

Significant assumptions involved in reserve calculation include mortality rates, morbidity rates, lapse rates, investment return and policy management fees, etc.

	Changes in assumptions	Impact on profit before tax			
		Year ended 31 December			Six months ended 30 June
		2012	2013	2014	2015
Mortality/morbidity	+10%	(187,503)	(191,032)	(187,519)	(208,270)
Mortality/morbidity	-10%	192,763	195,808	193,033	213,089
Lapse rate	+10%	38,205	25,578	24,859	27,025
Lapse rate	-10%	(38,304)	(26,205)	(24,666)	(27,026)
Discount rate	+50bp	1,087,522	1,122,536	1,109,984	1,092,632
Discount rate	-50bp	(1,192,838)	(1,229,591)	(1,209,930)	(1,191,894)

(2) **Financial risk**

(a) ***Credit risk***

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

The Group is exposed to credit risks primarily associated with commercial banks, bond issuers, premium receivables and reinsurance arrangements. Majority of the Group's financial assets are debt investments which include government bonds, financial bonds, corporate bonds, subordinated bonds, debt investment schemes, trust schemes and wealth management products with high credit ratings and time deposits in state-owned commercial banks.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

(i) *Credit risk exposure*

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the consolidated statements of financial position. Except for the financial guarantees given by the Group as set out in Note 50, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each of the Relevant Periods is disclosed in Note 50.

(ii) *Ageing analysis of financial assets*

The Group

31 December 2012	Not due	Financial assets due but not impaired		Financial assets due and impaired	Total
		within 1 year	after 1 year		
Cash and short-term time deposits	2,739,288	—	—	—	2,739,288
Debt securities investments held-for-trading	1,003,029	—	—	—	1,003,029
Financial assets held under resale agreements	150,000	—	—	—	150,000
Premiums receivable	388,669	51,250	—	89,105	529,024
Reinsurance debtors	11,040,941	74,879	85,663	657,504	11,858,987
Time deposits	35,778,045	—	—	—	35,778,045
Available-for-sale debt securities	24,556,919	—	—	—	24,556,919
Held-to-maturity investments	17,039,303	—	—	—	17,039,303
Investments classified as loans and receivables	2,960,000	—	—	—	2,960,000
Policy loans	153,092	—	—	—	153,092
Statutory deposits	11,810,291	—	—	—	11,810,291
Other financial assets	11,022,334	—	—	213,388	11,235,722
Sub-total	118,641,911	126,129	85,663	959,997	119,813,700
Less: impairment provisions					(394,117)
Total					119,419,583

31 December 2013	Not due	Financial assets due but not impaired		Financial assets due and impaired	Total
		within 1 year	after 1 year		
Cash and short-term time deposits	7,324,966	—	—	—	7,324,966
Debt securities investments held-for-trading	1,622,197	—	—	—	1,622,197
Financial assets held under resale agreements	236,120	—	—	—	236,120
Premiums receivable	426,044	44,644	—	82,127	552,815
Reinsurance debtors	14,175,401	67,340	83,398	662,735	14,988,874
Time deposits	30,698,215	—	—	—	30,698,215
Available-for-sale debt securities	23,377,873	—	—	—	23,377,873
Held-to-maturity investments	17,890,502	—	—	—	17,890,502
Investments classified as loans and receivables	7,380,000	—	—	—	7,380,000
Policy loans	180,308	—	—	—	180,308
Statutory deposits	12,980,316	—	—	—	12,980,316
Other financial assets	9,359,552	—	—	201,100	9,560,652
Sub-total	125,651,494	111,984	83,398	945,962	126,792,838
Less: impairment provisions					(370,901)
Total					126,421,937

31 December 2014	Not due	Financial assets due but not impaired		Financial assets due and impaired	Total
		within 1 year	after 1 year		
Cash and short-term time deposits	7,904,122	—	—	—	7,904,122
Debt securities investments held-for-trading	672,206	—	—	—	672,206
Financial assets held under resale agreements	1,155,100	—	—	—	1,155,100
Premiums receivable	490,228	98,910	—	55,096	644,234
Reinsurance debtors	11,406,264	82,761	58,477	281,916	11,829,418
Time deposits	31,961,589	—	—	—	31,961,589
Available-for-sale debt securities	25,442,091	—	—	—	25,442,091
Held-to-maturity investments	18,186,456	—	—	—	18,186,456
Investments classified as loans and receivables	12,945,000	—	—	—	12,945,000
Policy loans	235,269	—	—	—	235,269
Statutory deposits	12,180,351	—	—	—	12,180,351
Other financial assets	24,204,037	—	—	17,759	24,221,796
Sub-total	146,782,713	181,671	58,477	354,771	147,377,632
Less: impairment provisions					(170,168)
Total					147,207,464

30 June 2015	Not due	Financial assets due but not impaired within 1 year	Financial assets due but not impaired after 1 year	Financial assets due and impaired	Total
Cash and short-term time deposits	8,531,890	—	—	—	8,531,890
Debt securities investments held-for-trading	626,752	—	—	—	626,752
Financial assets held under resale agreements	799,000	—	—	—	799,000
Premiums receivable	1,041,601	155,165	—	76,082	1,272,848
Reinsurance debtors	22,429,348	178,040	73,488	298,841	22,979,717
Time deposits	33,243,717	—	—	—	33,243,717
Available-for-sale debt securities	28,574,841	—	—	—	28,574,841
Held-to-maturity investments	19,025,040	—	—	—	19,025,040
Investments classified as loans and receivables	14,040,000	—	—	—	14,040,000
Policy loans	240,796	—	—	—	240,796
Statutory deposits	12,454,769	—	—	—	12,454,769
Other financial assets	39,254,001	—	—	19,072	39,273,073
Sub-total	180,261,755	333,205	73,488	393,995	181,062,443
Less: impairment provisions					(188,379)
Total					180,874,064

The Company

31 December 2012	Not due	Financial assets due but not impaired within 1 year	Financial assets due but not impaired after 1 year	Financial assets due and impaired	Total
Cash and short-term time deposits	1,619,194	—	—	—	1,619,194
Debt securities investments held-for-trading	430,022	—	—	—	430,022
Reinsurance debtors	978,547	100	84,101	484,140	1,546,888
Time deposits	2,863,036	—	—	—	2,863,036
Available-for-sale debt securities	4,056,597	—	—	—	4,056,597
Held-to-maturity investments	1,831,251	—	—	—	1,831,251
Investments classified as loans and receivables	139,000	—	—	—	139,000
Statutory deposits	7,503,000	—	—	—	7,503,000
Other financial assets	1,147,291	—	—	15,363	1,162,654
Sub-total	20,567,938	100	84,101	499,503	21,151,642
Less: impairment provisions					(86,451)
Total					21,065,191

31 December 2013	Not due	Financial assets due but not impaired within 1 year	Financial assets due but not impaired after 1 year	Financial assets due and impaired	Total
Cash and short-term time deposits	3,725,353	—	—	—	3,725,353
Debt securities investments held-for-trading	458,946	—	—	—	458,946
Reinsurance debtors	677,537	2,020	79,053	269,726	1,028,336
Time deposits	56,215	—	—	—	56,215
Available-for-sale debt securities	3,372,353	—	—	—	3,372,353
Held-to-maturity investments	1,830,558	—	—	—	1,830,558
Investments classified as loans and receivables	489,000	—	—	—	489,000
Statutory deposits	7,703,000	—	—	—	7,703,000
Other financial assets	754,676	—	—	15,218	769,894
Sub-total	19,067,638	2,020	79,053	284,944	19,433,655
Less: impairment provisions					(83,710)
Total					19,349,945

31 December 2014	Not due	Financial assets due but not impaired		Financial assets due and impaired	Total
		within 1 year	after 1 year		
Cash and short-term time deposits	2,065,448	—	—	—	2,065,448
Debt securities investments held-for-trading	329,671	—	—	—	329,671
Financial assets held under resale agreements	16,000	—	—	—	16,000
Reinsurance debtors	1,018,976	4,840	49,082	189,907	1,262,805
Time deposits	462,826	—	—	—	462,826
Available-for-sale debt securities	2,648,385	—	—	—	2,648,385
Held-to-maturity investments	1,829,587	—	—	—	1,829,587
Investments classified as loans and receivables	276,593	—	—	—	276,593
Policy loans	11,718	—	—	—	11,718
Statutory deposits	7,403,000	—	—	—	7,403,000
Other financial assets	1,226,515	—	—	15,235	1,241,750
Sub-total	17,288,719	4,840	49,082	205,142	17,547,783
Less: impairment provisions					(81,984)
Total					17,465,799

30 June 2015	Not due	Financial assets due but not impaired		Financial assets due and impaired	Total
		within 1 year	after 1 year		
Cash and short-term time deposits	2,355,260	—	—	—	2,355,260
Debt securities investments held-for-trading	331,992	—	—	—	331,992
Financial assets held under resale agreements	430,000	—	—	—	430,000
Reinsurance debtors	2,052,189	5,240	49,728	135,731	2,242,888
Time deposits	1,353,590	—	—	—	1,353,590
Available-for-sale debt securities	2,911,750	—	—	—	2,911,750
Held-to-maturity investments	1,497,502	—	—	—	1,497,502
Investments classified as loans and receivables	276,593	—	—	—	276,593
Policy loans	14,646	—	—	—	14,646
Statutory deposits	7,403,000	—	—	—	7,403,000
Other financial assets	1,411,541	—	—	15,230	1,426,771
Sub-total	20,038,063	5,240	49,728	150,961	20,243,992
Less: impairment provisions					(79,388)
Total					20,164,604

(b) ***Market risk***

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

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

(i) *Interest rate risk*

The Group's interest rate risk arises primarily from financial instruments including cash and short-term time deposits, time deposits and debt investments. Financial instruments at fixed rates and at floating rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively.

Fair value interest rate risk

The sensitivity analysis below indicates the instantaneous change in the Group's and the Company's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of each of the Relevant Periods and had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to fair value interest rate risk at the end of each of the Relevant Periods.

The Group

		Impact on equity			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Financial assets at fair value through profit or loss	+50bp	(27,168)	(21,296)	(10,113)	(8,739)
Available-for-sale financial assets	+50bp	(652,661)	(432,174)	(505,676)	(538,092)

		Impact on net profit			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Financial assets at fair value through profit or loss	+50bp	(27,168)	(21,296)	(10,113)	(8,739)
Available-for-sale financial assets	+50bp	—	—	—	—

The Company

		Impact on equity			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Financial assets at fair value through profit or loss	+50bp	(8,282)	(6,365)	(5,321)	(4,695)
Available-for-sale financial assets	+50bp	(91,282)	(33,911)	(45,651)	(47,910)

		Impact on net profit			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Financial assets at fair value through profit or loss	+50bp	(8,282)	(6,365)	(5,321)	(4,695)
Available-for-sale financial assets	+50bp	—	—	—	—

Cash flow interest rate risk

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group and the Company at the end of the reporting period, the impact on the Group's and the Company's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for each reporting date.

The Group

		Impact on net profit/equity			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Floating interest rate debt securities	-50bp	(45,583)	(20,190)	(12,037)	(13,272)
Floating interest rate deposits	-50bp	(9,464)	(5,000)	(5,000)	(3,500)

The Company

		Impact on net profit/equity			
		At 31 December			At 30 June
	Interest rate change	2012	2013	2014	2015
Floating interest rate debt securities	-50bp	(5,272)	(4,950)	(1,523)	(1,143)
Floating interest rate deposits	-50bp	—	—	—	—

(ii) *Currency risk*

The Group is exposed to currency risk primarily through holding monetary financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities denominated in foreign currencies, which mainly including cash and short-term time deposits, time deposits, debt investments, reinsurance debtors, reinsurance payables and insurance contract liabilities.

The following table summarises the Group's and the Company's financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities by major currency at the end of each of the Relevant Periods, expressed in the RMB equivalent.

The Group

31 December 2012	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	745,984	1,300,601	202,711	64,556	425,436	2,739,288
Financial assets at fair value through profit or loss	5,136,830	—	6,154	—	—	5,142,984
Financial assets held under resale agreements	150,000	—	—	—	—	150,000
Premiums receivable	380,352	59,683	(165)	—	49	439,919
Reinsurance debtors	10,241,169	1,552,409	(59,100)	(37,886)	72,374	11,768,966
Reinsurers' share of insurance contract liabilities	1,769,287	373,659	777	46,397	2,070	2,192,190
Time deposits	32,870,344	2,450,998	—	86,166	370,537	35,778,045
Available-for-sale financial assets	40,002,783	—	1,858,508	—	—	41,861,291
Held-to-maturity investments	17,039,303	—	—	—	—	17,039,303
Investments classified as loans and receivables	2,960,000	—	—	—	—	2,960,000
Policy loans	153,092	—	—	—	—	153,092
Statutory deposits	11,810,291	—	—	—	—	11,810,291
Other financial assets	9,998,036	466,044	4,833	432,872	118,946	11,020,731
Total	133,257,471	6,203,394	2,013,718	592,105	989,412	143,056,100
Securities sold under agreements to repurchase	12,742,200	—	—	—	—	12,742,200
Reinsurance payables	6,658,963	630,724	21,658	160,046	241,938	7,713,329
Policyholders' deposits	1,196,896	—	—	—	—	1,196,896
Investment contract liabilities	1,961,397	—	—	—	—	1,961,397
Insurance contract liabilities	68,972,517	6,524,400	2,070	352,349	278,762	76,130,098
Other financial liabilities	2,677,540	359,233	(6,381)	21,964	16,909	3,069,265
Total	94,209,513	7,514,357	17,347	534,359	537,609	102,813,185

31 December 2013	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	1,279,180	3,516,023	1,718,876	132,137	678,750	7,324,966
Financial assets at fair value through profit or loss	2,594,248	—	47,195	—	—	2,641,443
Financial assets held under resale agreements	236,120	—	—	—	—	236,120
Premiums receivable	405,478	65,313	(248)	—	145	470,688
Reinsurance debtors	13,567,850	1,508,736	(81,413)	(47,462)	(44,878)	14,902,833
Reinsurers' share of insurance contract liabilities	3,337,428	585,864	518	68,620	1,562	3,993,992
Time deposits	30,642,109	56,106	—	—	—	30,698,215
Available-for-sale financial assets	37,633,090	—	4,097,844	—	—	41,730,934
Held-to-maturity investments	17,890,502	—	—	—	—	17,890,502
Investments classified as loans and receivables	7,380,000	—	—	—	—	7,380,000
Policy loans	180,308	—	—	—	—	180,308
Statutory deposits	12,980,316	—	—	—	—	12,980,316
Other financial assets	8,075,471	325,149	5,887	842,487	108,925	9,357,919
Total	136,202,100	6,057,191	5,788,659	995,782	744,504	149,788,236
Securities sold under agreements to repurchase	3,480,880	—	—	—	—	3,480,880
Reinsurance payables	7,837,672	562,422	14,986	268,418	108,790	8,792,288
Policyholders' deposits	965,529	—	—	—	—	965,529
Investment contract liabilities	5,017,345	—	—	—	—	5,017,345
Insurance contract liabilities	80,074,879	5,999,253	1,917	645,925	275,636	86,997,610
Other financial liabilities	2,853,874	197,929	8,699	43,663	14,616	3,118,781
Total	100,230,179	6,759,604	25,602	958,006	399,042	108,372,433

31 December 2014	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	3,688,508	2,589,333	1,114,976	255,475	255,830	7,904,122
Financial assets at fair value through profit or loss	2,287,383	—	250,907	—	—	2,538,290
Financial assets held under resale agreements	1,155,100	—	—	—	—	1,155,100
Premiums receivable	514,427	73,906	80	—	725	589,138
Reinsurance debtors	10,293,170	846,071	156,726	20,682	416,945	11,733,594
Reinsurers' share of insurance contract liabilities	4,624,931	316,112	340	116,126	918	5,058,427
Time deposits	31,423,611	127,213	8,678	—	402,087	31,961,589
Available-for-sale financial assets	43,999,994	86,521	1,847,108	—	—	45,933,623
Held-to-maturity investments	18,186,456	—	—	—	—	18,186,456
Investments classified as loans and receivables	12,945,000	—	—	—	—	12,945,000
Policy loans	235,269	—	—	—	—	235,269
Statutory deposits	12,180,351	—	—	—	—	12,180,351
Other financial assets	22,500,208	312,838	29,997	1,259,661	99,844	24,202,548
Total	164,034,408	4,351,994	3,408,812	1,651,944	1,176,349	174,623,507
Securities sold under agreements to repurchase	2,308,800	—	—	—	—	2,308,800
Reinsurance payables	3,796,757	404,030	23,204	384,261	89,689	4,697,941
Policyholders' deposits	473,910	38,911	437,924	—	—	950,745
Investment contract liabilities	21,192,010	—	—	—	—	21,192,010
Insurance contract liabilities	89,985,560	5,516,262	544,655	934,798	264,263	97,245,538
Other financial liabilities	5,814,395	496,462	(10,984)	60,786	22,578	6,383,237
Total	123,571,432	6,455,665	994,799	1,379,845	376,530	132,778,271

30 June 2015	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	5,238,536	704,476	1,918,400	68,253	602,225	8,531,890
Financial assets at fair value through profit or loss	1,804,618	—	826,584	—	—	2,631,202
Financial assets held under resale agreements	799,000	—	—	—	—	799,000
Premiums receivable	1,038,386	155,578	195	—	2,607	1,196,766
Reinsurance debtors	21,060,695	1,198,435	149,785	(48,385)	525,962	22,886,492
Reinsurers' share of insurance contract liabilities	7,148,677	387,217	285	171,677	2,121	7,709,977
Time deposits	32,453,501	588,603	—	183,479	18,134	33,243,717
Available-for-sale financial assets	50,565,702	161,451	2,397,819	—	—	53,124,972
Held-to-maturity investments	19,025,040	—	—	—	—	19,025,040
Investments classified as loans and receivables	14,040,000	—	—	—	—	14,040,000
Policy loans	240,796	—	—	—	—	240,796
Statutory deposits	12,454,769	—	—	—	—	12,454,769
Other financial assets	37,225,192	339,287	21,361	1,594,422	73,739	39,254,001
Total	203,094,912	3,535,047	5,314,429	1,969,446	1,224,788	215,138,622
Securities sold under agreements to repurchase	7,377,370	—	—	—	—	7,377,370
Reinsurance payables	6,621,453	877,296	30,651	371,900	110,823	8,012,123
Policyholders' deposits	491,947	35,624	345,179	—	—	872,750
Investment contract liabilities	37,650,705	—	—	—	—	37,650,705
Insurance contract liabilities	100,691,811	5,570,469	715,768	1,254,532	269,892	108,502,472
Other financial liabilities	5,671,322	423,630	160,101	84,721	28,029	6,367,803
Total	158,504,608	6,907,019	1,251,699	1,711,153	408,744	168,783,223

The Company

31 December 2012	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	75,378	953,581	135,264	64,393	390,578	1,619,194
Financial assets at fair value through profit or loss	736,714	—	6,154	—	—	742,868
Reinsurance debtors	711,698	1,106,065	(63,158)	(40,260)	(238,545)	1,475,800
Reinsurers' share of insurance contract liabilities	—	52,518	—	—	—	52,518
Time deposits	518,445	1,974,054	—	—	370,537	2,863,036
Available-for-sale financial assets	10,419,649	—	1,298,552	—	—	11,718,201
Held-to-maturity investments	1,831,251	—	—	—	—	1,831,251
Investments classified as loans and receivables	139,000	—	—	—	—	139,000
Statutory deposits	7,503,000	—	—	—	—	7,503,000
Other financial assets	760,793	281,314	3,184	(3,092)	105,092	1,147,291
Total	22,695,928	4,367,532	1,379,996	21,041	627,662	29,092,159
Securities sold under agreements to repurchase	2,185,400	—	—	—	—	2,185,400
Reinsurance payables	252,500	292,863	18,365	14,390	198,879	776,997
Insurance contract liabilities	2,674,555	5,101,902	—	—	—	7,776,457
Other financial liabilities	184,204	197,510	(8,866)	1,768	13,861	388,477
Total	5,296,659	5,592,275	9,499	16,158	212,740	11,127,331

31 December 2013	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	88,787	2,216,488	737,058	42,820	640,200	3,725,353
Financial assets at fair value through profit or loss	472,026	—	47,195	—	—	519,221
Reinsurance debtors	320,191	1,143,954	(84,678)	(49,602)	(370,021)	959,844
Reinsurers' share of insurance contract liabilities	—	57,455	—	—	—	57,455
Time deposits	109	56,106	—	—	—	56,215
Available-for-sale financial assets	8,055,770	—	814,017	—	—	8,869,787
Held-to-maturity investments	1,830,558	—	—	—	—	1,830,558
Investments classified as loans and receivables	489,000	—	—	—	—	489,000
Statutory deposits	7,703,000	—	—	—	—	7,703,000
Other financial assets	461,467	193,916	4,432	(3,652)	98,513	754,676
Total	19,420,908	3,667,919	1,518,024	(10,434)	368,692	24,965,109
Securities sold under agreements to repurchase	628,000	—	—	—	—	628,000
Reinsurance payables	75,964	378,404	12,276	6,785	89,675	563,104
Insurance contract liabilities	2,470,050	4,116,488	—	—	—	6,586,538
Other financial liabilities	200,241	110,238	7,400	389	10,031	328,299
Total	3,374,255	4,605,130	19,676	7,174	99,706	8,105,941

31 December 2014	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	102,735	1,325,469	411,681	6,482	219,081	2,065,448
Financial assets at fair value through profit or loss	531,574	—	74,171	—	—	605,745
Financial assets held under resale agreements	16,000	—	—	—	—	16,000
Reinsurance debtors	636,559	392,487	15,614	20,310	131,086	1,196,056
Reinsurers' share of insurance contract liabilities	—	45,489	—	—	—	45,489
Time deposits	113	51,948	8,678	—	402,087	462,826
Available-for-sale financial assets	4,110,353	72,690	1,319,007	—	—	5,502,050
Held-to-maturity investments	1,829,587	—	—	—	—	1,829,587
Investments classified as loans and receivables	276,593	—	—	—	—	276,593
Policy loans	11,718	—	—	—	—	11,718
Statutory deposits	7,403,000	—	—	—	—	7,403,000
Other financial assets	892,824	213,640	29,975	(2,560)	92,636	1,226,515
Total	15,811,056	2,101,723	1,859,126	24,232	844,890	20,641,027
Securities sold under agreements to repurchase	939,800	—	—	—	—	939,800
Reinsurance payables	132,752	247,458	17,616	6,558	61,115	465,499
Insurance contract liabilities	2,375,391	3,963,498	—	—	—	6,338,889
Other financial liabilities	359,822	195,924	710	510	17,674	574,640
Total	3,807,765	4,406,880	18,326	7,068	78,789	8,318,828

30 June 2015	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	546,637	280,088	941,415	7,177	579,943	2,355,260
Financial assets at fair value through profit or loss	334,427	—	605,199	—	—	939,626
Financial assets held under resale agreements	430,000	—	—	—	—	430,000
Reinsurance debtors	1,226,727	614,888	39,550	29,795	267,770	2,178,730
Reinsurers' share of insurance contract liabilities	—	57,054	—	—	—	57,054
Time deposits	1,300,000	53,590	—	—	—	1,353,590
Available-for-sale financial assets	4,380,238	99,070	1,272,864	—	—	5,752,172
Held-to-maturity investments	1,497,502	—	—	—	—	1,497,502
Investments classified as loans and receivables	276,593	—	—	—	—	276,593
Policy loans	14,646	—	—	—	—	14,646
Statutory deposits	7,403,000	—	—	—	—	7,403,000
Other financial assets	1,111,805	218,799	15,742	(1,535)	66,730	1,411,541
Total	18,521,575	1,323,489	2,874,770	35,437	914,443	23,669,714
Securities sold under agreements to repurchase	900,471	—	—	—	—	900,471
Reinsurance payables	70,721	307,238	24,369	5,506	87,083	494,917
Insurance contract liabilities	3,541,094	4,029,373	—	—	—	7,570,467
Other financial liabilities	1,562,125	228,818	101,069	(70)	21,945	1,913,887
Total	6,074,411	4,565,429	125,438	5,436	109,028	10,879,742

Sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

The Group

Currency	Changes in exchange rate	Impact on net profit/equity At 31 December 2012	2013	2014	At 30 June 2015
USD	+5%	(49,161)	(26,340)	(78,888)	(126,449)
USD	-5%	49,161	26,340	78,888	126,449
HKD	+5%	74,864	216,115	90,525	152,352
HKD	-5%	(74,864)	(216,115)	(90,525)	(152,352)
GBP	+5%	2,165	1,417	10,204	9,686
GBP	-5%	(2,165)	(1,417)	(10,204)	(9,686)

The Company

Currency	Changes in exchange rate	Impact on net profit/equity At 31 December 2012	2013	2014	At 30 June 2015
USD	+5%	(45,928)	(35,145)	(86,443)	(121,573)
USD	-5%	45,928	35,145	86,443	121,573
HKD	+5%	51,394	56,188	69,030	103,100
HKD	-5%	(51,394)	(56,188)	(69,030)	(103,100)
GBP	+5%	183	(660)	644	1,125
GBP	-5%	(183)	660	(644)	(1,125)

(iii) *Price risk*

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

Under normal market conditions, the impact on net equity of 1-day potential loss of equity investments such as equity shares and investment funds is estimated using the VaR technique as follows (presented in negative value):

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Financial assets at fair value through profit or loss				
Equity shares	(2,289)	(8,833)	(10,221)	(45,470)
Investment funds	(837)	(5,324)	(234)	(172)
Sub-total	(3,126)	(14,157)	(10,455)	(45,642)
Available-for-sale financial assets				
Equity shares	(145,343)	(165,117)	(142,635)	(182,842)
Investment funds	(143,613)	(90,446)	(67,744)	(154,389)
Sub-total	(288,956)	(255,563)	(210,379)	(337,231)
Total	(292,082)	(269,720)	(220,834)	(382,873)

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Financial assets at fair value through				
profit or loss				
Equity shares	(325)	(1,130)	(1,952)	(19,609)
Sub-total	(325)	(1,130)	(1,952)	(19,609)
Available-for-sale financial assets				
Equity shares	(99,957)	(103,144)	(32,467)	(36,761)
Investment funds	(39,950)	(13,768)	(3,657)	(6,228)
Sub-total	(139,907)	(116,912)	(36,124)	(42,989)
Total	(140,232)	(118,042)	(38,076)	(62,598)

(c) ***Liquidity risk***

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

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

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

The Group

	At 31 December 2012					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	2,739,288	—	—	—	2,739,288	2,739,288
Debt securities held for trading	114,468	43,306	436,216	585,425	1,179,415	1,003,029
Equity securities held for trading	4,139,955	—	—	—	4,139,955	4,139,955
Financial assets held under resale agreements	150,294	—	—	—	150,294	150,000
Premiums receivable	439,919	—	—	—	439,919	439,919
Reinsurance debtors	11,767,100	1,866	—	—	11,768,966	11,768,966
Reinsurer's share of insurance contract liabilities	1,570,388	238,292	134,566	8,084	1,951,330	2,192,190
Time deposits	5,092,496	7,023,068	29,391,640	1,506,607	43,013,811	35,778,045
Available-for-sale debt securities	1,580,836	2,928,253	10,473,013	16,598,209	31,580,311	24,556,919
Available-for-sale equity securities	17,304,372	—	—	—	17,304,372	17,304,372
Held-to-maturity investments	636,276	1,211,271	3,561,057	23,025,781	28,434,385	17,039,303
Investments classified as loans and receivables	160,856	218,289	1,383,910	2,280,261	4,043,316	2,960,000
Policy loans	153,092	—	—	—	153,092	153,092
Statutory deposits	1,537,739	1,218,111	10,880,866	—	13,636,716	11,810,291
Other assets	10,565,728	17,125	437,243	635	11,020,731	11,020,731
Total	57,952,807	12,899,581	56,698,511	44,005,002	171,555,901	143,056,100
Liabilities:						
Securities sold under agreements to repurchase	12,759,605	—	—	—	12,759,605	12,742,200
Reinsurance payables	7,575,391	56	137,882	—	7,713,329	7,713,329
Policyholders' deposits	951,580	240,392	4,924	—	1,196,896	1,196,896
Insurance contract liabilities	24,190,044	7,803,577	25,600,095	23,091,677	80,685,393	76,130,098
Investment contract liabilities	—	—	—	1,961,397	1,961,397	1,961,397
Other liabilities	3,048,139	—	21,126	—	3,069,265	3,069,265
Total	48,524,759	8,044,025	25,764,027	25,053,074	107,385,885	102,813,185

	At 31 December 2013					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	7,324,966	—	—	—	7,324,966	7,324,966
Debt securities held for trading	26,840	103,773	1,642,719	69,781	1,843,113	1,622,197
Equity securities held for trading	1,019,246	—	—	—	1,019,246	1,019,246
Financial assets held under resale agreements	236,417	—	—	—	236,417	236,120
Premiums receivable	470,688	—	—	—	470,688	470,688
Reinsurance debtors	14,902,829	4	—	—	14,902,833	14,902,833
Reinsurer's share of insurance contract liabilities	2,407,191	503,217	840,790	255,338	4,006,536	3,993,992
Time deposits	1,338,851	3,169,751	31,461,945	—	35,970,547	30,698,215
Available-for-sale debt securities	2,660,407	2,058,520	15,174,059	10,588,772	30,481,758	23,377,873
Available-for-sale equity securities	18,353,061	—	—	—	18,353,061	18,353,061
Held-to-maturity investments	827,035	1,355,537	3,326,135	24,057,360	29,566,067	17,890,502
Investments classified as loans and receivables	957,981	1,650,086	3,912,046	2,579,019	9,099,132	7,380,000
Policy loans	180,308	—	—	—	180,308	180,308
Statutory deposits	1,479,683	4,748,555	8,186,840	—	14,415,078	12,980,316
Other assets	8,096,302	56,016	1,205,601	—	9,357,919	9,357,919
Total	60,281,805	13,645,459	65,750,135	37,550,270	177,227,669	149,788,236
Liabilities:						
Securities sold under agreements to repurchase	3,483,490	—	—	—	3,483,490	3,480,880
Reinsurance payables	8,533,398	—	258,890	—	8,792,288	8,792,288
Policyholders' deposits	951,748	13,504	277	—	965,529	965,529
Insurance contract liabilities	30,493,948	13,554,372	25,127,738	26,350,819	95,526,877	86,997,610
Investment contract liabilities	—	—	—	5,017,345	5,017,345	5,017,345
Other liabilities	3,074,446	890	43,445	—	3,118,781	3,118,781
Total	46,537,030	13,568,766	25,430,350	31,368,164	116,904,310	108,372,433

	At 31 December 2014					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	7,904,465	—	—	—	7,904,465	7,904,122
Debt securities held for trading	72,044	53,633	648,879	86	774,642	672,206
Equity securities held for trading	1,866,084	—	—	—	1,866,084	1,866,084
Financial assets held under resale agreements	1,155,146	—	—	—	1,155,146	1,155,100
Premiums receivable	589,138	—	—	—	589,138	589,138
Reinsurance debtors	11,733,191	403	—	—	11,733,594	11,733,594
Reinsurer's share of insurance contract liabilities	2,516,824	1,218,747	1,030,544	75,774	4,841,889	5,058,427
Time deposits	8,011,935	13,341,588	14,412,134	—	35,765,657	31,961,589
Available-for-sale debt securities	2,419,815	3,850,675	14,296,496	11,110,278	31,677,264	25,442,091
Available-for-sale equity securities	20,491,532	—	—	—	20,491,532	20,491,532
Held-to-maturity investments	985,949	1,538,766	3,917,037	23,157,040	29,598,792	18,186,456
Investments classified as loans and receivables	2,360,430	1,756,781	5,076,422	12,096,062	21,289,695	12,945,000
Policy loans	235,269	—	—	—	235,269	235,269
Statutory deposits	4,777,498	6,630,204	1,740,181	—	13,147,883	12,180,351
Other assets	22,597,149	284,209	1,321,190	—	24,202,548	24,202,548
Total	87,716,469	28,675,006	42,442,883	46,439,240	205,273,598	174,623,507
Liabilities:						
Securities sold under agreements to repurchase	2,310,992	—	—	—	2,310,992	2,308,800
Reinsurance payables	4,319,564	958	377,419	—	4,697,941	4,697,941
Policyholders' deposits	863,909	84,527	1,731	578	950,745	950,745
Insurance contract liabilities	40,155,892	20,038,376	16,344,386	28,602,619	105,141,273	97,245,538
Investment contract liabilities	14,250,000	—	—	6,942,010	21,192,010	21,192,010
Other liabilities	6,312,087	926	70,224	—	6,383,237	6,383,237
Total	68,212,444	20,124,787	16,793,760	35,545,207	140,676,198	132,778,271

	At 30 June 2015					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	8,531,940	—	—	—	8,531,940	8,531,890
Debt securities held for trading	18,444	70,604	602,944	—	691,992	626,752
Equity securities held for trading	2,004,450	—	—	—	2,004,450	2,004,450
Financial assets held under resale agreements	799,000	—	—	—	799,000	799,000
Premiums receivable	1,196,766	—	—	—	1,196,766	1,196,766
Reinsurance debtors	22,883,200	2,907	385	—	22,886,492	22,886,492
Reinsurer's share of insurance contract liabilities	4,685,476	1,380,488	1,725,080	23,336	7,814,380	7,709,977
Time deposits	8,232,478	17,818,711	10,777,839	—	36,829,028	33,243,717
Available-for-sale debt securities	3,805,130	3,245,601	15,411,709	11,226,116	33,688,556	28,574,841
Available-for-sale equity securities	24,550,131	—	—	—	24,550,131	24,550,131
Held-to-maturity investments	1,670,308	1,000,638	4,313,884	22,955,347	29,940,177	19,025,040
Investments classified as loans and receivables	3,104,634	957,208	5,838,721	12,662,204	22,562,767	14,040,000
Policy loans	240,796	—	—	—	240,796	240,796
Statutory deposits	5,292,363	5,836,953	2,097,593	100,353	13,327,262	12,454,769
Other assets	37,493,301	139,741	1,620,959	—	39,254,001	39,254,001
Total	124,508,417	30,452,851	42,389,114	46,967,356	244,317,738	215,138,622
Liabilities:						
Securities sold under agreements to repurchase	7,377,677	—	—	—	7,377,677	7,377,370
Reinsurance payables	7,529,585	3,982	478,556	—	8,012,123	8,012,123
Policyholders' deposits	768,040	102,248	2,462	—	872,750	872,750
Insurance contract liabilities	54,631,571	17,213,769	15,943,736	29,008,479	116,797,555	108,502,472
Investment contract liabilities	28,442,527	—	88,070	9,120,108	37,650,705	37,650,705
Other liabilities	6,136,434	6,504	134,505	196,269	6,473,712	6,367,803
Total	104,885,834	17,326,503	16,647,329	38,324,856	177,184,522	168,783,223

The Company

	At 31 December 2012					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	1,619,194	—	—	—	1,619,194	1,619,194
Debt securities held for trading	103,383	15,364	94,143	294,471	507,361	430,022
Equity securities held for trading	312,846	—	—	—	312,846	312,846
Reinsurance debtors	1,475,800	—	—	—	1,475,800	1,475,800
Reinsurer's share of insurance contract liabilities	28,122	13,055	8,607	—	49,784	52,518
Time deposits	2,422,039	22,400	546,683	—	2,991,122	2,863,036
Available-for-sale debt securities	148,028	1,060,967	1,729,255	2,213,528	5,151,778	4,056,597
Available-for-sale equity securities	7,661,604	—	—	—	7,661,604	7,661,604
Held-to-maturity investments	37,997	82,903	534,181	2,034,281	2,689,362	1,831,251
Investments classified as loans and receivables	4,681	10,081	161,665	—	176,427	139,000
Statutory deposits	628,617	857,590	7,320,420	—	8,806,627	7,503,000
Other assets	1,143,203	—	4,088	—	1,147,291	1,147,291
Total	15,585,514	2,062,360	10,399,042	4,542,280	32,589,196	29,092,159
Liabilities:						
Securities sold under agreements to repurchase	2,185,400	—	—	—	2,185,400	2,185,400
Reinsurance payables	776,997	—	—	—	776,997	776,997
Insurance contract liabilities	2,709,317	1,770,103	1,256,486	3,732,078	9,467,984	7,776,457
Other liabilities	388,477	—	—	—	388,477	388,477
Total	6,060,191	1,770,103	1,256,486	3,732,078	12,818,858	11,127,331

	At 31 December 2013					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	3,725,353	—	—	—	3,725,353	3,725,353
Debt securities held for trading	11,374	17,870	520,886	2,628	552,758	458,946
Equity securities held for trading	60,275	—	—	—	60,275	60,275
Reinsurance debtors	959,844	—	—	—	959,844	959,844
Reinsurer's share of insurance contract liabilities	32,160	9,335	12,556	—	54,051	57,455
Time deposits	56,235	—	—	—	56,235	56,215
Available-for-sale debt securities	981,954	384,852	1,976,902	694,748	4,038,456	3,372,353
Available-for-sale equity securities	5,497,434	—	—	—	5,497,434	5,497,434
Held-to-maturity investments	37,997	172,903	432,577	1,962,283	2,605,760	1,830,558
Investments classified as loans and receivables	28,074	373,507	156,604	—	558,185	489,000
Statutory deposits	683,804	1,670,597	6,292,421	—	8,646,822	7,703,000
Other assets	470,438	22,030	262,208	—	754,676	754,676
Total	12,544,942	2,651,094	9,654,154	2,659,659	27,509,849	24,965,109
Liabilities:						
Securities sold under agreements to repurchase	628,853	—	—	—	628,853	628,000
Reinsurance payables	563,104	—	—	—	563,104	563,104
Insurance contract liabilities	1,899,551	1,128,618	1,633,853	3,866,084	8,528,106	6,586,538
Other liabilities	328,299	—	—	—	328,299	328,299
Total	3,419,807	1,128,618	1,633,853	3,866,084	10,048,362	8,105,941

	At 31 December 2014					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	2,065,478	—	—	—	2,065,478	2,065,448
Debt securities held for trading	10,451	15,708	349,985	86	376,230	329,671
Equity securities held for trading	276,075	—	—	—	276,075	276,074
Financial assets held under resale agreements	16,006	—	—	—	16,006	16,000
Reinsurance debtors	1,196,056	—	—	—	1,196,056	1,196,056
Reinsurer's share of insurance contract liabilities	35,327	6,998	2,177	1,083	45,585	45,489
Time deposits	464,120	—	—	—	464,120	462,826
Available-for-sale debt securities	192,900	350,625	1,639,563	959,628	3,142,716	2,648,385
Available-for-sale equity securities	2,853,665	—	—	—	2,853,665	2,853,665
Held-to-maturity investments	128,001	289,891	314,029	1,793,150	2,525,071	1,829,587
Investments classified as loans and receivables	154,621	65,051	88,997	—	308,669	276,593
Policy loans	11,718	—	—	—	11,718	11,718
Statutory deposits	1,676,510	6,087,074	231,350	—	7,994,934	7,403,000
Other assets	860,736	15,708	349,985	86	1,226,515	1,226,515
Total	9,941,664	6,831,055	2,976,086	2,754,033	22,502,838	20,641,027
Liabilities:						
Securities sold under agreements to repurchase	941,973	—	—	—	941,973	939,800
Reinsurance payables	465,499	—	—	—	465,499	465,499
Insurance contract liabilities	3,013,718	831,066	511,272	3,819,664	8,175,720	6,338,889
Other liabilities	574,640	—	—	—	574,640	574,640
Total	4,995,830	831,066	511,272	3,819,664	10,157,832	8,318,828

	At 30 June 2015					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Assets:						
Cash and short-term time deposits	2,355,310	—	—	—	2,355,310	2,355,260
Debt securities held for trading	3,862	35,554	328,644	—	368,060	331,992
Equity securities held for trading	607,634	—	—	—	607,634	607,634
Financial assets held under resale agreements	430,000	—	—	—	430,000	430,000
Reinsurance debtors	2,178,730	—	—	—	2,178,730	2,178,730
Reinsurer's share of insurance contract liabilities	48,653	2,730	762	379	52,524	57,054
Time deposits	113,557	59,800	1,479,400	—	1,652,757	1,353,590
Available-for-sale debt securities	265,189	250,516	1,684,376	1,193,269	3,393,350	2,911,750
Available-for-sale equity securities	2,840,422	—	—	—	2,840,422	2,840,422
Held-to-maturity investments	348,584	58,737	271,860	1,409,564	2,088,745	1,497,502
Investments classified as loans and receivables	147,753	63,404	84,840	—	295,997	276,593
Policy loans	14,646	—	—	—	14,646	14,646
Statutory deposits	2,212,601	5,338,015	252,250	—	7,802,866	7,403,000
Other assets	1,390,855	12,068	8,618	—	1,411,541	1,411,541
Total	12,957,796	5,820,824	4,110,750	2,603,212	25,492,582	23,669,714
Liabilities:						
Securities sold under agreements to repurchase	900,778	—	—	—	900,778	900,471
Reinsurance payables	494,917	—	—	—	494,917	494,917
Insurance contract liabilities	4,261,851	862,403	522,291	3,808,401	9,454,946	7,570,467
Other liabilities	1,799,627	5,578	18,323	196,269	2,019,797	1,913,887
Total	7,457,173	867,981	540,614	4,004,670	12,870,438	10,879,742

47 FAIR VALUE MEASURMENT

(1) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	1,003,029	362,542	640,487	—
- Equity securities	4,139,955	4,139,955	—	—
Available-for-sale financial assets				
- Debt securities	24,556,919	3,899,494	20,657,425	—
- Equity securities	17,004,372	17,004,372	—	—
Total	46,704,275	25,406,363	21,297,912	—

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	1,622,197	989,717	632,480	—
- Equity securities	1,019,246	1,019,246	—	—
Available-for-sale financial assets				
- Debt securities	23,377,873	2,067,458	21,310,415	—
- Equity securities	18,013,061	18,013,061	—	—
Total	44,032,377	22,089,482	21,942,895	—

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	672,206	82	672,124	—
- Equity securities	1,866,084	1,866,084	—	—
Available-for-sale financial assets				
- Debt securities	25,442,091	164,312	25,277,779	—
- Equity securities	19,761,928	19,761,928	—	—
Total	47,742,309	21,792,406	25,949,903	—

	Fair value at 30 June 2015	Fair value measurements as at 30 June 2015 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	626,752	—	626,752	—
- Equity securities	2,004,450	1,884,449	120,001	—
Available-for-sale financial assets				
- Debt securities	28,574,841	1,116,501	27,458,340	—
- Equity securities	23,185,245	22,409,808	775,437	—
Total	54,391,288	25,410,758	28,980,530	—

The Company

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	430,022	118,434	311,588	—
- Equity securities	312,846	312,846	—	—
Available-for-sale financial assets				
- Debt securities	4,056,597	1,322,949	2,733,648	—
- Equity securities	7,361,604	7,361,604	—	—
Total	12,161,069	9,115,833	3,045,236	—

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	458,946	149,914	309,032	—
- Equity securities	60,275	60,275	—	—
Available-for-sale financial assets				
- Debt securities	3,372,353	569,101	2,803,252	—
- Equity securities	5,157,434	5,157,434	—	—
Total	9,049,008	5,936,724	3,112,284	—

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	329,671	82	329,589	—
- Equity securities	276,074	276,074	—	—
Available-for-sale financial assets				
- Debt securities	2,648,385	45,233	2,603,152	—
- Equity securities	2,325,663	2,325,663	—	—
Total	5,579,793	2,647,052	2,932,741	—

	Fair value at 30 June 2015	Fair value measurements as at 30 June 2015 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	331,992	—	331,992	—
- Equity securities	607,634	607,634	—	—
Available-for-sale financial assets				
- Debt securities	2,911,750	15,138	2,896,612	—
- Equity securities	2,173,594	2,141,613	31,981	—
Total	6,024,970	2,764,385	3,260,585	—

Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December 2012, 2013 and 2014 and 30 June 2015, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilise a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain debt securities between Level 1 and Level 2. As at 31 December 2012, the Group transferred the debt securities with a carrying amount of RMB 3,164 million from Level 1 to Level 2 and RMB 1,926 million from Level 2 to Level 1. As at 31 December 2013, the Group transferred the debt securities with a carrying amount of RMB 1,793 million from Level 1 to Level 2 and RMB 1,296 million from Level 2 to Level 1. As at 31 December 2014, the Group transferred the debt securities with a carrying amount of RMB 1,180 million from Level 1 to Level 2 and RMB 135 million from Level 2 to Level 1. As at 30 June 2015, the Group transferred the securities with a carrying amount of RMB 955 million from Level 1 to Level 2 and RMB 2,957 million from Level 2 to Level 1.

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

The carrying amounts of the Group's and the Company's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2012, 2013 and 2014 and 30 June 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

The Group

	31 December 2012		31 December 2012 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	17,039,303	16,788,395	2,094,729	14,693,666	—

	31 December 2013		31 December 2013 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	17,890,502	16,247,559	9,733	16,237,826	—

	31 December 2014		31 December 2014 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	18,186,456	18,362,532	2,118,010	16,244,522	—

	30 June 2015		30 June 2015 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	19,025,040	19,506,868	3,807,424	15,699,444	—

The Company

	31 December 2012		31 December 2012 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	1,831,251	1,785,714	151,291	1,634,423	—

	31 December 2013		31 December 2013 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	1,830,558	1,681,953	—	1,681,953	—

	31 December 2014		31 December 2014 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	1,829,587	1,824,110	24,562	1,799,548	—

	30 June 2015		30 June 2015 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets..	1,497,502	1,514,051	25,030	1,489,021	—

The fair values of the financial assets included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

48 CAPITAL MANAGEMENT

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

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

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group was fully in compliance with externally required capital requirements. The solvency margin ratios of the Group and major subsidiaries of the Group, calculated based on relevant regulations promulgated by the CIRC, are listed below:

	At 31 December 2012		
	Actual capital	Minimum regulatory capital	Solvency margin ratio
The Group	33,320,686	8,742,094	381%
The Company	41,363,794	510,131	8,108%
China Re P&C	6,845,451	3,799,879	180%
China Re Life	3,959,640	1,955,809	202%
China Continent Insurance	4,648,367	2,420,709	192%

	At 31 December 2013		
	Actual capital	Minimum regulatory capital	Solvency margin ratio
The Group	32,534,836	10,048,360	324%
The Company	42,994,641	390,737	11,003%
China Re P&C	7,158,863	4,495,883	159%
China Re Life	4,204,638	2,416,921	174%
China Continent Insurance	4,309,941	2,688,126	160%

	At 31 December 2014		
	Actual capital	Minimum regulatory capital	Solvency margin ratio
The Group	44,296,438	17,846,394	248%
The Company	51,484,061	315,677	16,309%
China Re P&C	10,033,241	4,617,053	217%
China Re Life	8,881,376	3,274,724	271%
China Continent Insurance	7,036,779	3,087,585	228%

	At 30 June 2015		
	Actual capital	Minimum regulatory capital	Solvency margin ratio
The Group	49,018,257	19,404,053	253%
The Company	55,340,356	637,279	8,684%
China Re P&C	12,111,658	4,176,352	290%
China Re Life	10,249,958	4,220,608	243%
China Continent Insurance	8,125,707	3,383,228	240%

49 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Key management personnel remuneration

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Salaries, allowances and benefits in kind	4,120	3,652	3,365	1,679	1,161
Discretionary bonus	6,037	6,058	6,664	3,332	1,344
Contribution to defined contribution plan	1,729	1,573	1,793	874	900
Total	11,886	11,283	11,822	5,885	3,405

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

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest income	—	—	343,643	186,623	170,978
Dividend received	—	—	343,269	343,269	371,880
Premium income	—	—	3,414	2,437	2,273
Claims payments	—	—	(4,486)	(2,477)	(10)
Fees and commissions	—	—	(1,163)	(915)	(57)

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

	At 31 December			At 30 June
	2012	2013	2014	2015
Cash and short-term time deposits	—	—	186,398	5,047
Time deposits	—	—	1,107,906	1,000,000
Statutory deposits	—	—	4,140,000	4,164,419
Interest receivables	—	—	203,463	279,395
Debt investments	—	—	998,791	999,068

(3) **Transactions with state-owned entities in the PRC**

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

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

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

As at the end of each of and during the Relevant Periods, most of bank deposits of the Group were with state-owned banks, and the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the Relevant Periods, a large portion of its reinsurance business of the Group was with state-owned insurance companies.

50 CONTINGENCIES

As at the end of each of the Relevant Periods, the Group has issued the following guarantees:

(1) As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group provided maritime guarantee of RMB 1,606 million, RMB 1,913 million, RMB 2,006 million and RMB 1,772 million for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

(2) China Re UK, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 since 2011. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 33 million, GBP 33 million, GBP 80 million and GBP 80 million.

51 COMMITMENTS

(1) Capital commitments

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Contracted for				
- Intangible assets commitments	740	617	12,600	11,592
- Investment property commitments	—	—	558,340	279,170
- Property and equipment commitments	46,259	8,955	—	—
- Investment commitments	—	372,907	928,400	806,279
Authorised but not contracted for				
- Investment commitments	—	—	300,922	200,922
Total	46,999	382,479	1,800,262	1,297,963

The Company

	At 31 December			At 30 June
	2012	2013	2014	2015
Contracted for				
- Investment property commitments	—	—	161,121	80,560
- Investment commitments	—	342,907	352,215	228,446
Authorised but not contracted for				
- Investment commitments	—	—	45,138	30,138
Total	—	342,907	558,474	339,144

(2) **Operating lease commitments**

The Group leases certain of its office properties and office equipment under operating lease arrangements.

The total future minimum lease payments under non-cancellable operating leases as at the end of each of the Relevant Periods are summarised as follows:

The Group

	At 31 December			At 30 June
	2012	2013	2014	2015
Within 1 year	116,913	163,811	167,031	193,164
Over 1 year but within 2 years	61,747	112,225	132,033	160,518
Over 2 years but within 3 years	33,523	57,611	82,057	97,903
Over 3 years but within 5 years	29,243	46,529	63,338	77,931
Over 5 years	2,031	26,421	47,335	44,229
Total	243,457	406,597	491,794	573,745

52 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the accounting year beginning 1 January 2015 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14, *Regulatory deferral accounts*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for IFRS 9 and IFRS 15 which may have an impact on the Group's financial performance and financial position.

IFRS 9*, Financial instruments*

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

Classification and measurement of financial assets and financial liabilities

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

Impairment

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

Since the Group is in the process of making an assessment on overall impact of IFRS 9, given the nature of the Group's operations, this standard is expected to have a material impact on the Group's financial statements. For instance, the Group will replace incurred loss model with the expected loss model in the calculation of impairment of premiums receivable, reinsurance debtors, investments classified as loans and receivables, and held-to-maturity investments. The Group will change the categories for financial assets from four categories into three categories, and the corresponding measurement of financial assets. It is not practicable to provide a reasonable estimate of the effect and quantify the impact on its operating results and financial position until it performs a detailed review as the adoption of the new standard requires changes to systems and processes to collect the necessary data.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

Application of IFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

53 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

(1) Pursuant to the resolution of the general meeting of Shareholders on 26 June 2015, the Company's accumulated distributable retained profits as at the last calendar day of the calendar month immediately prior to the listing of H shares ("the special dividend cut-off date") will be appropriated to the Company's Shareholders as of the special dividend cut-off date. The existing and new Shareholders after the issuance of H shares will be entitled to participate in the accumulated distributable retained profits of the Company after the above distribution in accordance with their shareholdings.

(2) On 12 August 2015, massive fires and explosions originating from a hazardous materials warehouse struck the port area of Tianjin, China, causing hundreds of casualties and extensive property damage (the "2015 Tianjin Explosions"). The Group participated in the relevant insurance coverage in relation to the 2015 Tianjin Explosions through primary and reinsurance arrangements. The Group is currently in the process of assessing losses arising from the 2015 Tianjin Explosions. Based on information available to the Group, the Group estimates the aggregate pre-tax losses arising from the 2015 Tianjin Explosions, net of estimated recoveries from reinsurance and retrocession (including excess of loss coverage) and estimated sliding scale commission adjustments, could range from approximately RMB900 million to approximately RMB1,100 million.

Estimating losses following any major catastrophe is inherently uncertain and is made more challenging in this case by such factors as the ongoing investigation and damage assessment by governmental authorities, insurers and reinsurers, current restrictions on accessing portions of the affected area, the extent and nature of damage sustained in the affected area, delays in claims reporting, the application and interpretation of, and potential adjustments under, the terms and conditions of relevant insurance policies and reinsurance and retrocession contracts, and reinsurance and retrocession collectability. In addition, estimating losses incurred in the property and casualty reinsurance business involves significant uncertainties as most of the property and casualty reinsurance business has historically been conducted in the form of treaty reinsurance. Actual losses arising from specific underlying insurance policies may not be available to the Group until claims are reported to the Group by a cedant, which may not occur until some time after the occurrence of a catastrophe. As a result, current estimates of potential losses are subject to change based on new or revised data available to the Group.

54 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountant's Report prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I and is included herein for information purpose only.

The unaudited pro forma financial information shall be read in conjunction with the section headed "Accountants' Report" as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted consolidated net tangible assets of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Company of its H shares (the "Global Offering") on the consolidated net tangible assets of the Group attributable to the Shareholders of the Company as of 30 June 2015, as if the Global Offering had taken place on 30 June 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 June 2015 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of 30 June 2015	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company	Pro forma adjusted consolidated net tangible assets per share	
	RMB Million	**RMB Million**	**RMB Million**	**RMB**	**HK$**
	Note (1)	*Note (2)/(4)*		*Note (3)*	*Note (4)*
Based on an offer price of HK$2.25 per share	57,278	10,338	67,616	1.60	1.95
Based on an offer price of HK$2.70 per share	57,278	12,415	69,693	1.65	2.01

Notes:

(1) The consolidated net tangible assets attributable to Shareholders of the Company as of 30 June 2015 is compiled based on the consolidated financial information included in the Accountants' Report set out in Appendix I to this prospectus and is based on the consolidated net assets attributable to Shareholders of the Company of RMB58,773 million less intangible assets of RMB306 million and goodwill of RMB1,189 million as of 30 June 2015.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.25 (being the minimum offer price) and HK$2.70 per H Share (being the maximum offer price) and the assumption that there are 5,769,890,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other expenses related to the Global Offering of approximately RMB318 million based on an Offer Price of HK$2.25 per H Share, and RMB372 million based on an Offer Price of HK$2.70 per H Share, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived at on the basis of 42,177,501,085 shares in issue assuming that the Global Offering has been completed on 30 June 2015 and that the Over-allotment Option is not exercised.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per share are translated at the rate of RMB0.82081 to HK$1.00, the exchange rate set by the PBOC prevailing on 30 September 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(5) The unaudited pro forma adjusted consolidated net tangible assets per share do not take into account the financial results or other transactions of the Company subsequent to 30 June 2015. In addition, no adjustment has been made to reflect the special pre-IPO dividends that will be distributed in an amount equal to the Company's accumulated distributable retained profits as at the special dividend cut-off date. The Company preliminarily estimated that the special pre-IPO dividends would amount to approximately RMB3,400 million, which would be further adjusted based on an audit of the Company's financial statements for the period ended on the special dividend cut-off date. If the aforementioned special pre-IPO dividends were taken into account, the unaudited pro forma adjusted consolidated net tangible assets per share would be reduced to RMB1.52 (equivalent to HK$1.85), based on an Offer Price of HK$2.25 per H Share, and RMB1.57 (equivalent to HK$1.91), based on an Offer Price of HK$2.70 per H Share.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

13 October 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA REINSURANCE (GROUP) CORPORATION

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2015 and related notes as set out in Part A of Appendix II to the prospectus dated 13 October 2015 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2015 as if the Global Offering had taken place at 30 June 2015. As part of this process, information about the Group's financial position as at 30 June 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds from the Global Offering — Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

Ernst & Young (China)
Advisory Limited
Room 07A, 35/F
No. 989 Changle Road,
Shanghai, China 200031

Tel：+86 21 2228 8888
Website：www.ey.com

13 October 2015

The Directors
China Reinsurance (Group) Corporation
China Re Building
No.11 Jinrong Avenue
Xicheng District
Beijing
China 100033

Dear Sirs,

Actuarial Consultants' Report

1. **Introduction**

Ernst & Young (China) Advisory Limited ("EY", "we") has been engaged by China Reinsurance (Group) Corporation (the "Company", the "Group Company") to provide actuarial advisory services and expert opinions for certain matters relating to the Company and its subsidiaries' ("China Re Group", the "Group") Life and health reinsurance business, covering the legacy life and health reinsurance business of China Re Group and all business of China Life Reinsurance Company Limited ("China Re Life") ("the Covered Business").

As one of the core parts of this engagement, we have been asked to quantify and report on the embedded value ("EV") and the value of one year's new business ("1-year VNB") of the Covered Business. This report has been prepared for inclusion in the document. The report summarises the scope of work carried out by EY, valuation methodology, valuation results and valuation assumptions used for the abovementioned work.

A description of the various businesses of China Re Group and the associated risk factors are provided in other parts of the document which should be read in conjunction with this report.

2. **Scope of Work**

The scope of our work is as follows:

- Quantifying the embedded value of China Re Group as at 31 December 2014 and as at 30 June 2015, respectively;
- Quantifying the value of one year's new business underwritten by the Group during the 12 months prior to 31 December 2014 and during the 12 months prior to 30 June 2015, respectively;
- Reviewing the valuation assumptions used for the value of in-force business ("VIF") and the value of one year's new business of China Re Group;
- Performing sensitivity tests under alternative assumptions; and
- Movement analysis of embedded value.

3. **Valuation Methodology**

We prepared EV result and the report based on "Life and Health Insurance Embedded Value Reporting Guidelines" ("EV Guidance") issued by the China Insurance Regulatory Commission ("CIRC") in September 2005.

In this report, the embedded value of China Re Group is defined as the sum of adjusted net worth ("ANW") of the Group and VIF of the life and health reinsurance business.

Since the Group Company is the entity to be listed and the Group Company does not hold 100% of all companies within the Group, ANW has excluded minority interests. As China Re Life is 100% owned by the Group, all of its VIF is included in the reported EV valuation results.

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

- Audited net asset value of China Re Group on a consolidated basis with allowance for the reserve difference between PRC GAAP and PRC statutory basis for the Covered Business. The net asset value of the Group covers the shareholder net equity attributable to the Group from China Re Life, China Property and Casualty Reinsurance Company Limited, China Continent Property and Casualty Insurance Company Limited, China Re Asset Management Company Limited, Huatai Insurance Agency and Consultant Service Limited and other businesses;
- The asset value adjustments, which reflects the after-tax difference between market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

The VIF is the present value of the projected after-tax statutory profits arising from the Covered Business less the cost of capital ("CoC") required to support the in-force business. The CoC is the present value of the difference between the investment return implied by the risk discount rate ("RDR") and the after-tax investment return earned on assets backing the required capital.

The 1-year VNB is defined as the present value, at the inception to be ceded, of the projected after-tax statutory profits arising from the policies ceded during the 12 months prior to the valuation date less CoC to support the 1-year new business. For short-term ceded business of primary insurance with a policy term of one year or less, the renewal ceded business is not considered as new business.

The VIF and 1-year VNB valuation method adopted by the Group is based on deterministic economic scenario. Compared to the recent developed market consistent embedded value ("MCEV") method which requires an explicit valuation of certain risks, the RDR used for the valuation has implicitly allowed for the cost of the policyholder options, investment guarantees, asset/liability mismatch risk and credit risk, thus the deterministic method produces results that have taken into account the above cost and risks. As MCEV has not been widely used in China and lacks of comparability among companies, the Group has decided not to adopt such valuation methodology.

The CIRC released seventeen regulatory standards under the new solvency regime China Risk Oriented Solvency System ("C-ROSS") on 13 February 2015; and the transition period commenced on the same date. Until this report was completed, CRIC has not yet announced the effective date of C-ROSS. The CIRC is organising a taskforce among the major market players to develop the new EV guidelines under C-ROSS.

The valuation of EV and 1-year VNB in this report is based on China current solvency regime.

4. Valuation Results

This section summarises EV results as at 31 December 2014 and 30 June 2015 as well as 1-year VNB for the 12 months prior to 31 December 2014 and for the 12 months prior to 30 June 2015 as follows:

Table 1: EV as at 31 December 2014 and 1-year VNB for the 12 months prior to 31 December 2014 (RMB in million)

Risk Discount Rate	10%	11%	12%
Embedded value			
Adjusted net worth	53,091	53,091	53,091
including: adjusted net worth of life and health reinsurance business	10,380	10,380	10,380
Value of in-force business before CoC	4,470	4,181	3,926
Cost of Capital	(706)	(777)	(842)
Value of in-force business after CoC	3,765	3,404	3,084

Risk Discount Rate	10%	11%	12%
Embedded value	56,855	56,495	56,175
including: embedded value of life and health reinsurance business	14,144	13,783	13,464
Value of new business			
Value of one year's new business before CoC	865	811	763
Cost of Capital	(152)	(169)	(184)
Value of one year's new business after CoC	713	643	580

Note: Figures may not add up due to rounding.

Table 2: EV as at 30 June 2015 and 1-year VNB for the 12 months prior to 30 June 2015 of China Re Group (RMB in million)

Risk Discount Rate	10%	11%	12%
Embedded value			
Adjusted net worth	58,154	58,154	58,154
including: adjusted net worth of life and health reinsurance business	12,333	12,333	12,333
Value of in-force business before CoC	5,051	4,738	4,460
Cost of Capital	(763)	(839)	(908)
Value of in-force business after CoC	4,289	3,899	3,553
Embedded Value	62,442	62,053	61,707
including: embedded value of life and health reinsurance business	16,622	16,232	15,886
Value of new business			
Value of one year's new business before CoC	1,074	1,012	956
Cost of Capital	(182)	(201)	(219)
Value of one year's new business after CoC	893	811	737

Note: Figures may not add up due to rounding.

The table below shows the movement analysis of the EV of China Re Group calculated by the risk discount rate of 11% for the period from 31 December 2014 to 30 June 2015.

Table 3: Movement analysis of EV from 31 December 2014 to 30 June 2015 (RMB in million)

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2014	13,783	
2	Adjustment to EV at the beginning of the period due to changes of valuation methodology and model	—	Change in valuation methodology and model improvement
3	Expected return on EV at the beginning of the year	578	Expected return on EV of 2014 in the first half year of 2015
4	Impact of new business	425	Impact of new ceded business in the first half year of 2015
5	Impact of market value adjustment	26	Change in asset market value adjustment
6	Economic experience variances	1,248	Difference between actual investment income and expected investment income in the first half year of 2015
7	Operating experience variances	183	Difference between actual operational experience and expected operational results in the first half year of 2015
8	Economic assumption changes	—	Adjustments to economic assumptions
9	Operating assumption changes	(24)	Adjustments to operational assumptions
10	Others	13	
11	Capital injection and shareholder dividend payment	—	Capital injection by shareholders into China Re Life and dividends paid to shareholders by China Re Life
12	EV of life and health reinsurance business as at 30 June 2015	16,232	
13	ANW of the Group's other business as at 31 December 2014	42,711	
14	Profit from other business in the first half year of 2015	3,767	

No.	Item	Amount	Details
15	Impact of market value adjustments	66	Change in the asset market value and relevant taxes adjustments
16	Others	4	
17	Capital injection and shareholder dividend payment....................................	(728)	Capital injection by shareholders into China Re Group and dividends paid to shareholders by China Re Group
18	EV of other businesses of the Group as at 30 June 2015	45,820	
19	EV of the Group as at 30 June 2015	62,053	

Note: Figures may not add up due to rounding.

5. Valuation Assumptions

This section summarises the assumptions employed in the valuation of EV of China Re Group as of the valuation dates and 1-year VNB for the 12 months prior to the valuation dates. Unless stated otherwise, the assumptions for both valuation dates (31 December 2014 and 30 June 2015) are the same. The major assumptions are outlined as follows:

Risk Discount Rates

This report illustrates the valuation results by using risk discount rates of 10%, 11% and 12%.

The risk discount rates are intended to reflect a number of factors, of which the following two factors are the most important:

- the market interest rate level, which reflects the time value of money, which is usually the risk-free rate; and

- risk premium, or risk allowance, which reflects the additional return required by shareholders to compensate the risks inherent in the business. The risk premium can be different due to the differences in reinsurance forms, policy terms and the degree of uncertainty in cash flows.

The perception of risks and the level of risk premium required are very subjective, depending on the specific circumstance. Therefore, we have picked a range of risk discount rates to illustrate the valuation results of EV and 1-year VNB.

The Capital Asset Pricing Model ("CAPM") is used to derive the reasonable range of risk discount rates. According to EV Guidance of the CIRC, the insurer shall determine the risk-free rate based on the yield of 10-year government bonds, and in general the risk premium used by an insurance company shall lie in the range from 5% to 10%. The Group uses the interbank fixed interest rate of 10-year government bond yield to maturity of 3.3478% published at Chinabond.com.cn (中國債券信息網) on 30 June 2015 as the risk-free rate. With reference to the business characteristics of China Re Group, the risk discount rates of 10%, 11% and 12% are used, with the corresponding risk premium at 6.6522%, 7.6522% and 8.6522% respectively.

Investment Return Rates

Investment return rate is determined with reference to the investment strategy for the Covered Business and the macroeconomic environment. The future investment returns, net of investment expenses, are assumed to be 5.5% p.a.. However, the future investment returns for "assets-driven cross-border RMB business" are assumed to be 6.5% p.a. in the 10 years after the valuation date, and 5.5% p.a. for the remaining years; the future investment returns for "assets-driven domestic business" are assumed to be 6.5% p.a. in the 2 years after the valuation date, and 5.5% p.a. for the remaining years. Assets-driven business refers to the reinsurance business underwritten by China Re Life with a relatively higher required return rate, which is backed by a segregated asset portfolio already in place with higher investment return. Within the existing asset allocation of China Re Life, the expected investment return of the asset portfolio backing the "assets-driven cross-border RMB business" is slightly higher than 6.5% p.a. and its duration is more than 10 years, which forms the basis of our investment return assumption for "assets-driven cross-border RMB business" of 6.5% p.a. in the 10 years after the valuation date. As the segregated asset portfolio primarily comprises infrastructure fixed income investments with lower liquidity, it is able to yield a higher return. For the 12 months prior to 30 June 2015, the new business total written premiums ("TWPs") of the "assets-driven cross-border RMB business" accounted for 11% of the total new business TWPs of the Covered Business.

Policyholder Dividend

Policyholder dividend has been derived in accordance with the dividend policy stipulated in the reinsurance contracts. The surplus of the participating business is the sum of interest surplus and mortality surplus, and 70% of the surplus is assumed to be distributed to policyholders. Moreover, interest surplus is determined either based on the dividend policies stipulated in the reinsurance contracts or the Group's assumption for investment return rates.

Mortality and Morbidity Rates

The assumptions of mortality and morbidity rates are based on the recent experience of China Re Group and the overall experience of China life and health insurance market. Here below follows more details:

- the ultimate mortality assumptions are 50% to 80% of the "China Life Insurance Mortality Table (2000-2003)" or the pricing mortality tables of the primary insurance products;

- for mortality assumptions, the selection factors are used for the first nine policy years, thereafter, the ultimate mortality assumptions are used;
- generally, the morbidity assumptions are 75% to 140% of the primary insurance products' pricing tables.

Short-term ceded business

Short-term ceded business refers to the reinsurance business for short-term primary insurance with the policy term of one year or less, and the primary insurance business, upon renewal, will continue to be ceded to China Re Life. 1-year VNB for short-term ceded business is based on the estimated new business premium within one year of short-term ceded business.

Claim Ratio

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

Discontinuance Rates

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

Expenses

The assumption of expenses is determined based on the recent experience, expenses management and the expected future expense level of life and health reinsurance business. Due to the characteristics of reinsurance business, the level of management expenses of China Re Group is flat during the term of the business, so there is no difference between acquisition expense and maintenance expense. For per-policy expense assumptions, the assumed annual inflation rate is 2.0%.

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

Insurance Guarantee Fund and Supervision Fee

According to the regulations of the CIRC, ceded business are not covered by the Insurance Guarantee Fund, and is not required to contribute insurance guarantee fund. Therefore the assumption to contribute insurance guarantee fund is zero.

The latest supervision fee standards required by the CIRC was adopted, and it is assumed that such supervision fee standard will remain unchanged within the projection period.

Tax

Currently, corporate income tax is assumed to be 25% of taxable profit, and the future corporate income tax are calculated based on the projected accounting profits rather than statutory profits. According to current regulations, income from Chinese government bonds other than capital gain/loss, dividend income from direct equity investment in domestic corporations and mutual funds are exempted from income tax. In addition, interest income on PRC railway construction bonds issued during the year 2011 to year 2013 is entitled to a 50% reduction in income tax.

Moreover, according to the Chinese government's taxation policy, reinsurance premium income and amortised reinsurance commission are not subject to business tax; therefore, in the valuation of short-term ceded business, no business tax is considered.

Cost of Holding Required Capital

The CIRC has defined three solvency adequacy categories for insurance companies: (1) Inadequate Solvency where solvency ratio is less than 100%; (2) Adequate Solvency Level I where solvency ratio is between 100% and 150%; and (3) Adequate Solvency Level II where solvency ratio is greater than 150%. The CIRC may take various supervisory measures against companies in each of the three solvency categories.

The common practice in the PRC insurance industry is to assume the level of required capital as 100% of the minimum solvency margin required by the CIRC in the calculation of VIF and 1-year VNB, i.e. sufficient to be classified as Adequate Solvency Level I, and we have followed the same practice as the industry.

6. **Sensitivity Tests**

We have also performed a series of sensitivity tests on alternative assumptions for embedded value and value of one year's new business of China Re Group:

- Investment return rates increased by 50 basis points per annum;
- Investment return rates decreased by 50 basis points per annum;
- Mortality and morbidity rates increased proportionally by 10%;
- Mortality and morbidity rates decreased proportionally by 10%;
- Discontinuance rates increased proportionally by 10%;
- Discontinuance rates decreased proportionally by 10%;
- Management expenses increased proportionally by 10%;
- Management expenses decreased proportionally by 10%;

- Combined ratio of short term reinsurance contract increased by one percentage point per annum;

- Combined ratio of short term reinsurance contract decreased by one percentage point per annum; and

- Solvency margin is 150% of the minimum solvency requirement.

The scenarios of sensitivity tests are performed to illustrate the uncertainties in China's future investment environment and other operations associated with the life and health reinsurance business of China Re Group. The range of sensitivity tests are selected after considering the range of sensitivity tests commonly used in the industry. In each of the tests, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown in Table 4 to Table 7 in the Annex.

7. **Reliance and Limitations**

In performing our work, we have relied on audited and unaudited information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 30 June 2015.

In particular, we have relied on:

- Information regarding the in-force reinsurance contracts and retrocessional reinsurance contracts of the Group Company and China Re Life;

- Policy data covering the in-force long-term ceded business of the Group Company and China Re Life;

- Model points of in-force yearly renewable term reinsurance contracts of the Group Company and China Re Life;

- Information regarding the accumulated amount of the in-force survival benefit and policy dividend of the Group Company and China Re Life;

- Information regarding the statutory reserves and accounting reserves of the Group Company and China Re Life;

- Information regarding gross written premiums from short-term ceded business of the Group Company and China Re Life;

- Information regarding the ceded gross premiums for short-term retrocessional business of the Group Company and China Re Life;

- Information relevant to adjusted net worth and historical financial information of the Group Company and China Re Life;

- Information regarding the experience statistics and experience study results of the Group Company and China Re Life in 2012, 2013 and 2014;

- Information regarding the future investment strategy and tax exempted rate from investment income of the Group Company and China Re Life; and

- Information regarding foreign currency policies and foreign exchange rate of the Group Company and China Re Life.

We have reviewed the reasonableness and consistency of limited amount of information obtained satisfied with our understanding of the PRC life and health insurance market and international reinsurance industry. It should be noted that the scope of our work did not include independent verification or audit of the accuracy or completeness of the policy data and other information provided to us. We did not review the adequacy of various reserves in the balance sheet.

Embedded Value and value of one year's new business are highly dependent on the results of financial projections. In performing the projections, numerous assumptions have been made, including but not limit to macroeconomic environments and investment strategy, operating costs, taxation policy, discontinuance rate, mortality rate, morbidity rate and regulations. Changes in the internal or external environment may affect the suitability of the parameters used in the projections and could alter the project results materially.

This report is based on the information obtained by Ernst & Young (China) Advisory Limited as at 30 June 2015, any future development and changes of such information after that date have not been accounted for.

8. **Disclosure**

EY had been engaged by China Re Group in providing opinions and assistance regarding actuarial matters of the life and health reinsurance business of China Re Group for its Initial Public Offering. Readers should consider all contents of this report in their entirety, as a section or several sections in isolation may not provide the right context or sufficient information for drawing proper conclusion. EY will take no responsibility for contents other than those contained in this actuarial consultant's report.

On behalf of
Ernst & Young (China) Advisory Limited

Bonny Fu, FSA
Partner, Actuarial and Insurance Advisory Services

Annex: Sensitivity Test

Table 4: Sensitivity Test Results of the Value of In-force of China Re Group as at 31 December 2014 (RMB in million)

	Risk discount rate 10%		Risk discount rate11%		Risk discount rate 12%	
Scenario	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital
Base scenario	4,470	3,765	4,181	3,404	3,926	3,084
Annual investment return rates increased by 50 basis points	5,242	4,576	4,913	4,173	4,623	3,816
Annual investment return rates decreased by 50 basis points	3,696	2,951	3,446	2,632	3,226	2,349
Mortality and morbidity rates increased by 10%	4,400	3,696	4,118	3,343	3,869	3,029
Mortality and morbidity rates decreased by 10%	4,539	3,831	4,242	3,463	3,981	3,138
Discontinuance rates increased by 10%	4,437	3,741	4,152	3,385	3,901	3,070
Discontinuance rates decreased by 10%	4,505	3,789	4,211	3,423	3,951	3,099
Management expenses increased by 10%	4,430	3,724	4,143	3,366	3,890	3,048
Management expenses decreased by 10%	4,510	3,805	4,219	3,442	3,962	3,121
Combined ratio of short term reinsurance contract increased by one percentage point	4,415	3,709	4,128	3,351	3,875	3,034
Combined ratio of short term reinsurance contract decreased by one percentage point	4,526	3,820	4,234	3,457	3,977	3,135
Solvency margin is 150% of the statutory minimum requirement	4,470	3,413	4,181	3,016	3,926	2,664

Table 5: Sensitivity Test Results of 1-year VNB of China Re Group in the 12 months prior to 31 December 2014 (RMB in million)

	Risk discount rate 10%		Risk discount rate 11%		Risk discount rate 12%	
Scenario	Value of one year's new business before Cost of Capital	Value of one year's new business after Cost of Capital	Value of one year's new business before Cost of Capital	Value of one year's new business after Cost of Capital	Value of one year's new business before Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	865	713	811	643	763	580
Annual investment return rates increased by 50 basis points	992	849	934	774	881	705
Annual investment return rates decreased by 50 basis points	737	576	689	512	645	454
Mortality and morbidity rates increased by 10%	864	712	811	642	763	579
Mortality and morbidity rates decreased by 10%	866	713	812	643	764	580
Discontinuance rates increased by 10%	849	700	797	632	751	570
Discontinuance rates decreased by 10%	881	726	826	655	777	590
Management expenses increased by 10%	854	702	801	633	754	570
Management expenses decreased by 10%	875	723	822	653	773	589
Combined ratio of short term reinsurance contract increased by one percentage point	818	666	767	598	720	536
Combined ratio of short term reinsurance contract decreased by one percentage point	911	759	856	688	807	623
Solvency margin is 150% of the statutory minimum requirement	865	637	811	559	763	488

Table 6: Sensitivity Test Results of the Value of In-force of China Re Group as at 30 June 2015 (RMB in million)

	Risk discount rate 10%		Risk discount rate 11%		Risk discount rate 12%	
Scenario	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital	Value of in-force business before Cost of Capital	Value of in-force business after Cost of Capital
Base scenario	5,051	4,289	4,738	3,899	4,460	3,553
Annual investment return rates increased by 50 basis points	5,838	5,118	5,484	4,684	5,171	4,300
Annual investment return rates decreased by 50 basis points	4,261	3,457	3,989	3,110	3,747	2,803
Mortality and morbidity rates increased by 10%	4,979	4,219	4,673	3,836	4,402	3,496
Mortality and morbidity rates decreased by 10%	5,122	4,357	4,801	3,960	4,518	3,608
Discontinuance rates increased by 10%	5,012	4,261	4,704	3,876	4,431	3,535
Discontinuance rates decreased by 10%	5,093	4,318	4,774	3,922	4,491	3,571
Management expenses increased by 10%	5,010	4,247	4,699	3,860	4,423	3,516
Management expenses decreased by 10%	5,092	4,330	4,777	3,938	4,497	3,590
Combined ratio of short term reinsurance contract increased by one percentage point	4,991	4,229	4,681	3,842	4,406	3,498
Combined ratio of short term reinsurance contract decreased by one percentage point	5,111	4,348	4,795	3,956	4,515	3,607
Solvency margin is 150% of the statutory minimum requirement	5,051	3,908	4,738	3,479	4,460	3,099

Table 7: Sensitivity Test Results of 1-year VNB of China Re Group in the 12 months prior to 30 June 2015 (RMB in million)

	Risk discount rate 10%		Risk discount rate 11%		Risk discount rate 12%	
Scenario	**Value of one year's new business before Cost of Capital**	**Value of one year's new business after Cost of Capital**	**Value of one year's new business before Cost of Capital**	**Value of one year's new business after Cost of Capital**	**Value of one year's new business before Cost of Capital**	**Value of one year's new business after Cost of Capital**
Base scenario	1,074	893	1,012	811	956	737
Annual investment return rates increased by 50 basis points	1,195	1,024	1,128	937	1,068	858
Annual investment return rates decreased by 50 basis points	953	761	896	684	844	615
Mortality and morbidity rates increased by 10%	1,073	892	1,011	810	955	736
Mortality and morbidity rates decreased by 10%	1,076	894	1,013	811	957	738
Discontinuance rates increased by 10%	1,053	875	993	796	939	724
Discontinuance rates decreased by 10%	1,096	910	1,032	826	974	750
Management expenses increased by 10%	1,062	880	1,000	799	945	726
Management expenses decreased by 10%	1,086	905	1,024	822	967	748
Combined ratio of short term reinsurance contract increased by one percentage point	1,027	845	966	765	912	693
Combined ratio of short term reinsurance contract decreased by one percentage point	1,122	940	1,058	856	1,000	781
Solvency margin is 150% of the statutory minimum requirement	1,074	802	1,012	710	956	627

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of value as at 31 August 2015 of the Property which is contracted to be acquired by the Group.

savills
第一太平戴維斯

The Directors
China Reinsurance (Group) Corporation
No. 11 Finance Street
Xicheng District
Beijing
PRC

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

13 October 2015

Dear Sirs,

RE: PORTION OF AN OFFICE BLOCK ON LAND LOT C OF GUANG'AN CENTRE (廣安中心), NORTH TO LUOMASHI AVENUE AND WEST TO PLANNED YINGXIN STREET, CAISHIKOU, XICHENG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

In accordance with the instructions from China Reinsurance (Group) Corporation (the "Company") for us to value the Property which is contracted to be acquired by the Company and/ or its subsidiaries (hereinafter referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property on completion basis as at 31 August 2015 (the "valuation date") for incorporation in a public offering document.

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, which is contracted to be acquired by the Group in the PRC, but for which the Group has not yet obtained the relevant title documents, we have ascribed no commercial value to the Property.

We have been provided with copies of extracts of title documents in relation to the Property. However, we have not searched the original documents to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC legal adviser, King & Wood Mallesons (金杜律師事務所), regarding the titles and other legal matters to the Property. We have also accepted advice given to us by the Group on such matters as planning approvals, statutory notices, easements, tenure, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us. We are also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the Property. The site inspection was carried out by our Mr. Gang Zhang (Associate Director) and Mr. Mike Fan (Valuer) on 9 June 2015. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated in our report are in Renminbi ("RMB").

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C K Lau is a chartered surveyor and has over 22 years' post-qualification experience in the valuation of properties in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property contracted to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value as if completed as at 31 August 2015
Portion of an office block on Land Lot C of Guang'an Centre (廣安中心), North to Luomashi Avenue and west to planned Yingxin Street, Caishikou, Xicheng District, Beijing, PRC	The Property, being part of a proposed office development on Land Lot C of Guang'an Centre, is erected on a parcel of land with a site area of approximately 9,049.44 sq.m. The Property is bordered by Luomashi Avenue on the north and Planned Yingxin Street on the west in Xicheng District of Beijing. The immediate locality is mainly residential and commercial in nature with various residential and commercial developments of different ages and heights available in the area. Upon completion, the proposed development will comprise a 12-storey office building plus a 5-storey basement car park. According to the supplied information, the total gross floor area of the Property will be approximately 69,667.00 sq.m. Details of the uses and approximate gross floor areas of the Property are as follows:	The Property is contracted to be acquired by the Group. Thus, we are instructed to value the Property as if completed as at the valuation date. As advised by the Group, the office, commercial and car park portions of the Property will be used for leasing purpose.	No commercial value (Refer to Note 3)

Use	Approximate Gross Floor Area
	(sq.m.)
Office	48,194.00
Commercial	1,350.00
Car Parks	12,328.00
Civil Defence	7,795.00
Total:	**69,667.00**

As advised by the Group, the Property is scheduled for completion in the 1st quarter of 2017.

The land use rights of the Property have been granted for a term expiring on 30 August 2054 for non-ancillary public construction, underground non-ancillary public construction and underground car parking uses respectively.

Notes:

(1) Pursuant to the Land Use Rights Certificate — Jing Xi Guo Yong (2014 Chu) No. 00155 dated 25 June 2014, the land use rights of the Property with a site area of 9,049.441 sq.m. have been granted for a term expiring on 30 August 2054 for non-ancillary public construction, underground non-ancillary public construction and underground car parking uses respectively.

(2) Pursuant to the Purchase Agreement for an Office Block on Land Lot C of Financial Street Guang'an Centre (金融街廣安中心C地塊項目寫字樓訂購協議書) (the "Purchase Agreement") entered into between the Company and independent third parties on 25 June 2014, the Property has been agreed to be transferred to the Company at a total acquisition fee of RMB2,791,700,000 (on bare-shell basis). This amount may be further adjusted if the final measured gross floor areas are different with the gross floor areas as stated in the Purchase Agreement.

(3) In the course of our valuation, we have ascribed no commercial value to the Property as the Group has not obtained any valid title documents as at the valuation date. For reference purpose, the market value of the Property as if completed as at the valuation date is estimated to be RMB3,326,000,000.

(4) We have been provided with a legal opinion on the title to the Property issued by the Group's PRC legal adviser, King & Wood Mallesons, which contains, inter alia, the following information:

i. the Purchase Agreement as stated in Note 2 is legal and valid.

TAXATION OF SECURITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong in effect on the date hereof, as well as on the Treaty Between the U.S. and the PRC for the Avoidance of Double Taxation (the "Treaty"), all of which are subject to change (or changes in interpretation), possibly with retrospective effect.

For the purpose of this section of this prospectus, an "Eligible U.S. Holder" refers to any beneficial owner of H Shares that (i) is a resident of the United States for the purpose of the Treaty, (ii) does not maintain a permanent establishment or fixed base in the PRC in connection with H Shares and the beneficial owner does not or did not conduct business through such establishment or fixed base (or, in the case of an individual, does not or did not provide independent personal services) and (iii) is otherwise eligible for benefits under the Treaty with respect to income and gains derived from the H Shares.

This section of this prospectus does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of holding and disposing of H Shares.

PRC TAXATION

Dividend Tax

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "Individual Income Tax Law") promulgated by the Standing Committee of the fifth National People's Congress on 10 September 1980, recently amended on 30 June 2011 and came into effect on 1 September 2011 and the Implementation Rules of Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法實施條例) (the "Implementation Rules of IIT Law") recently amended by the State Council on 19 July 2011 and came into effect on 1 September 2011, dividends paid by PRC companies to individual investors are generally subject to a PRC withholding tax at a flat rate of 20%. According to the CSRC Circular on the Relevant Taxation Policy Regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong (中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) promulgated by the Ministry of Finance, the State Administration of Taxation and CSRC on 31 October 2014 and implemented on 17 November 2014, for dividends obtained by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock

Connect, the relevant H-share companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") for the CSDCC to provide the register of mainland individual investors to the H-share companies, and the H-share companies shall withhold personal income tax at the tax rate of 20%.

For foreign individual investors who are not residents of the PRC, the receipt of dividends from a PRC company is normally subject to a personal income tax of 20% unless specifically exempted by the competent tax authority of the State Council or reduced in accordance with an applicable tax treaty. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) promulgated for implementation by the State Administration of Taxation on 28 June 2011, foreign individual investors are entitled to enjoy relevant preferential tax treatments in accordance with the taxation treaties entered into between their respective countries and the PRC for public offer of shares by non-foreign invested PRC enterprises in Hong Kong. Generally, the PRC individual income tax at the rate of 10% may be withheld and is applicable to dividends paid by a non-foreign invested PRC enterprise (the "Relevant Non-foreign Invested PRC Enterprise") which have had its public offering in Hong Kong to foreign individual investors (the "Relevant Individual Investors") and no application for approval from the taxation authority in the PRC is required. In case the 10% tax rate is not applicable, the Relevant Non-foreign Invested PRC Enterprise shall: (i) apply on behalf of the investors for preferential treatment of lower tax rates if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates lower than 10%, and arrange for refund of over payment upon the review and approval by the tax authority; (ii) withhold the tax at such rates as required if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates higher than 10% but lower than 20%, and no application is required; (iii) withhold the individual income tax at the rate of 20% if the countries of the Relevant Individual Investors have not entered into any taxation treaties with the PRC or otherwise.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) with respect to income tax entered into between mainland China and Hong Kong on 21 August 2006, the PRC Government may impose tax on dividends payable by a PRC company to Hong Kong residents subject to a maximum of 10% of the gross amount of dividends payable, or 5% for Hong Kong residents holding not less than 25% equity interest in the PRC company upon submitting application to and obtaining approval from the PRC tax authority.

Enterprises

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (the "EIT Law") promulgated by the Standing Committee of the tenth National People's Congress on 16 March 2007 and came into effect on 1 January 2008 and the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) which was reviewed and passed by the State Council on 28 November 2007 and implemented on 1 January 2008, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. Such withholding tax may be reduced pursuant to an applicable double taxation treaty after the application is approved.

According to the Notice of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) promulgated by the State Administration of Taxation, which came into effect on 6 November 2008, PRC resident enterprises shall withhold enterprise income tax at a flat rate of 10% on dividends distributed to overseas non-resident enterprise shareholders of H Shares for 2008 and thereafter. Such withholding tax may be reduced pursuant to an applicable double taxation treaty after the application is approved.

Tax Treaties

Investors who do not reside in the PRC but reside in countries which have entered into double taxation treaties with the PRC may be entitled to a reduction of withholding tax on dividends paid to investors by PRC companies. The PRC currently has concluded double-taxation treaties with many countries, including but not limited to: Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, United Kingdom and the United States.

Capital Gains Tax

In accordance with the Implementation Rules of IIT Law, PRC resident individuals are subject to individual income tax at the rate of 20% on gains from the transfer of equity interests in PRC resident enterprises. The Implementation Rules of IIT Law also provided that the MOF shall propose measures for collection of individual income tax on income from the transfer of shares which shall be implemented after being approved by the State Council. However, no such measures have been proposed and enacted by the MOF currently. Under the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the MOF and State Administration of Taxation on 30 March 1998, from 1 January 1997, income of individuals from transfer of shares in listed enterprises continues to be exempted from individual income tax. Although the State Administration of Taxation has not stated whether it will continue to exempt individual income tax on income of individuals from transfer of listed shares in the Individual Income Tax Law and the Implementation Rules of IIT Law, on 31 December 2009, the MOF, State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) which states that individuals' income from transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the shares of certain specified companies which are subject to sales restriction (as defined in the Circular and its supplementary notice issued on 10 November 2010). As at the Latest

Practicable Date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to the best knowledge of our Company, in practice such tax has not been collected by the PRC tax authorities.

Pursuant to the EIT Law and its implementation regulations, for a non-resident enterprise having no institution or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside China, it shall generally pay enterprise income tax at a rate of 10% on the incomes derived from China (including gains derived from the disposal of shareholdings in PRC resident enterprises); the aforesaid income taxes payable by a non-resident enterprise shall be withheld by income sources, with the payer acting as the obligatory withholder. The tax amount shall be withheld by the obligatory withholder from each payment or payment due. The tax may be reduced or waived in accordance with the relevant tax treaty or agreement for avoiding double taxation.

Other Tax Considerations in the PRC

PRC Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) which came into effect on 1 October 1988, PRC stamp duty levied on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. According to the Provisional Regulations of the People's Republic of China on Stamp Duty, PRC stamp duty shall only be applicable to taxable certificates executed or received in the PRC which have legal binding effect in the PRC and are protected by the PRC laws.

Estate Tax

Under the current legal environment of the PRC, non-PRC residents holding H Shares are not subject to estate tax.

Major Taxes of the Company in the PRC

Income Tax

In accordance with the EIT Law, enterprises and other institutions established in the PRC shall be subject to enterprise income tax at the rate of 25%.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) recently amended on 5 November 2008 and came into effect on 1 January 2009 and the relevant implementation rules, our Company shall be subject to business tax at the rate of 5%. Pursuant to the Pilot Plan for Levying Value Added Tax in Lieu of Business Tax (營業稅改徵增值稅試點方案), issued by the Ministry of Finance and the State Administration of Taxation on 16 November 2011, the reform pilot program of levying value added tax in lieu of business tax has been progressively implemented for service industries (the transportation industry and some modern service industries) in which business tax is applicable in various pilot regions (including provinces and cities such as Shanghai and Beijing) since 1 January 2012. Pursuant to the further notice of the Ministry of Finance and the State Administration of Taxation, the aforesaid Pilot Plan for Levying Value Added Tax in Lieu of Business Tax was implemented on a nationwide basis since 1 August 2013. Pursuant to the Notice on Including the Railway Transportation and Postal Service Industries in the Pilot Program of Levying Value-added Tax in Lieu of Business Tax (關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知), the pilot program of levying value-added tax in lieu of business tax was implemented for the railway transportation and postal service industries on a nationwide basis since 1 January 2014. However, as at the Latest Practicable Date, our Company had not been requested by the relevant tax authority of the region where our Company is located to pay value-added tax in lieu of business tax.

HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares.

Where one of the parties to the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and is not freely convertible. The SAFE under the PBOC is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulation of Foreign Exchange of the People's Republic of China (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulation"), which was subsequently amended on 14 January 1997 and 5 August 2008. Pursuant to the Foreign Exchange Regulation, all international payments and transfers are classified into current account items and capital account items. Most of the current account items are no longer subject to approval of the SAFE while capital account items are still subject to approval of the SAFE.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the PBOC on 20 June 1996, which came into effect on 1 July 1996, the remaining restrictions on conversion of foreign exchange in respect of current account items in the PRC were abolished, while the restrictions on foreign exchange transactions in respect of capital account items remained unchanged.

Pursuant to the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知) jointly promulgated by the PBOC and SAFE on 25 October 1998 which came into effect on 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises was discontinued. Thereafter, trading of foreign exchange by foreign-invested enterprise shall be admitted to the banking exchange system.

On 21 July 2005, the PBOC announced that Renminbi was no longer pegged to the U.S. dollar and an adjustable and manageable floating exchange rate system based on market supply and demand and with reference to a basket of currencies was implemented in the PRC. The PBOC shall announce the closing exchange rates of foreign currencies (including the U.S. dollar) against Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day. The closing exchange rates shall be quoted as the middle exchange rate for Renminbi on the next trading day.

Since 4 January 2006, the PBOC improved the quotation of the mid exchange rate of Renminbi by introducing an enquiry system while keeping the match-making system in the inter-bank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the inter-bank foreign exchange market.

In accordance with the Foreign Exchange Regulation, the foreign exchange income of current account items may be retained or sold to financial institutions engaging in the sales and settlement of foreign exchange. Foreign exchange income of capital account items may be retained or sold to financial institutions engaging in the sales and settlement of foreign exchange if so approved by the competent foreign exchange administrative authority unless it is exempted under the laws of the PRC.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without approval of the SAFE, effect payment from their foreign exchange accounts or convert and pay at designated foreign exchange banks with the provision of valid receipts and proof of transactions. Foreign-invested enterprises, which require foreign exchange for distribution of profits, and PRC enterprises, which require foreign exchange for distribution of dividends under applicable regulations, may effect payment from their foreign exchange account or convert and pay at designated foreign exchange banks according to the resolutions of shareholders' meetings or board meetings on the distribution and with the provision of required documents.

In accordance with the Notice on Relevant Issues of Foreign Exchange Management of Overseas Listing (關於境外上市外匯管理有關問題的通知) issued by the SAFE and came into effect on 26 December 2014, a domestic enterprise shall register with the local bureau of the SAFE at the place of its incorporation within 15 working days after the completion of its overseas initial public offering. The proceeds from overseas listing may be remitted to the domestic account or deposited in an overseas account. The proceeds shall be used in accordance with this prospectus and other disclosure documents.

In accordance with the Decisions on the Cancellation and Adjustment of Various Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定) issued by the State Council and came into effect from 23 October 2014, the remittance and settlement of foreign exchange from the proceeds raised from the issue of overseas listed shares by a domestic company are no longer subject to approval by the SAFE or its bureaux.

According to the "SAFE Circular on Insurance Exchange Management Guidelines" (國家外匯管理局關於印發〈保險業務外匯管理指引〉的通知) issued by SAFE on 19 January 2015 which came into effect on 1 March 2015, SAFE delegates the authority to its local bureaux and departments to approve insurance institutions' entry into foreign exchange insurance market and settlement of foreign exchange. In addition, the prior approval for the exiting of foreign exchange insurance business of insurance institutions and the prior approval for both the entering and exiting of foreign exchange insurance business of their branches are no longer required. Furthermore, the requirement for the foreign exchange insurance business qualification of insurance institutions to be reviewed and re-approved every three years has been cancelled. Insurance institutions should, after having been approved by the local bureaux of SAFE at the place of their registration, handle through financial institutions the settlement of the foreign exchange capital funds and the foreign fund proceeds from overseas listing.

According to the "Notice on Further Simplification and Improvement of Direct Investment Foreign Exchange Management" (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE on 13 February 2015 which came into effect on 1 June 2015, foreign exchange registration approval by SAFE and its bureaux for foreign direct investment in China and overseas direct investment have been cancelled. Moreover, certain foreign exchange registration procedures for direct investment are simplified, and foreign exchange registration for direct investment in China and overseas direct investment are directly reviewed and handled by banks instead. SAFE and its bureaux shall perform indirect supervision over the direct investment-related foreign exchange registration through banks.

This Appendix sets forth summaries of certain aspects of PRC law and regulations which are relevant to the Company's operation and businesses. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV — Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Hong Kong Companies Ordinance, certain requirements of the Listing Rules and additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, State organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses or their standing committees of the cities divided into districts may, in light of the specific local circumstances and actual needs, formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection, provided that they do not contradict the Constitution, the laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and where there are other legal provisions on the formulation of local regulations by the cities divided into districts, such provisions shall prevail. Local regulations formulated by the cities divided into districts shall be submitted to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

The ministries, commissions, People's Bank of China, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on 10 June 1981, the Supreme People's Court and the Supreme People's Procuratorate have the power to give interpretation on questions involving the specific application of laws and decrees in court trials and the procuratorial work of the procuratorates, respectively. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules. Interpretation of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts including military courts . The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organised into criminal, civil and economic divisions as well as certain people's courts based on the natures of the region, population and cases. The intermediate people's courts are organised into divisions similar to those of the basic people's courts, and have the power to organise other divisions as needed. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court at first instance to the people's court at the next higher level. The people's procuratorate may also appeal to the people's court at the next higher level in accordance with the legal procedures. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (中華人民共和國民事訴訟法), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request enforcement of the judgment, order or award. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- The PRC Company Law, which was promulgated by the Standing Committee of the NPC on 29 December 1993, took effect on 1 July 1994 and was revised as at 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively and the latest revision of which was implemented on 1 March 2014;

- The Special Regulations, which were promulgated by the State Council on 4 August 1994 pursuant to Articles 85 and 155 of the PRC Company Law then in effect; and

- The Mandatory Provisions, which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on 27 August 1994, and must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

Incorporation

A joint stock limited company may be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half of the promoters must have residences within the PRC. A company incorporated under the PRC Company Law as a joint stock limited company has the status of a legal person and that its registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

Under the PRC Company Law, a joint stock limited company may invest in other enterprises, provided that it may not be a contributor that undertakes joint and several liabilities for the debts of the enterprises it invests in, unless otherwise provided for by law.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method must file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters must be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) promulgated by the State Council on 22 April 1993 (which is only applicable to issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters or directors and lead underwriters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Allotment and Issue of Shares

All issues of shares of a joint stock limited company should be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance programme may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the promoters may make capital contributions in cash, in kind or by way of injection of assets, intellectual property rights, land use rights or other transferable non-cash property based on their appraised value. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued must be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of members, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it must publish a prospectus and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital must be approved by shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it must apply to the relevant registration authority for the registration of the reduction in registered capital; and
- the reduced registered capital cannot be lower than the statutory minimum registered capital requirements (if any).

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares purchased in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such purchase shall be financed by funds appropriated from the company's profit after tax, and the shares so purchased shall be transferred to the company's employees within one year.

Transfer of Shares

The shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders must be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, or six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of debentures, minutes of shareholder's general meetings, resolutions of board of directors, resolutions of board of supervisors and financial statements and to make proposals or enquires of the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in accordance with the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of power of the company, which exercises its authorities in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal authorities:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other authorities as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, we are required to hold an extraordinary shareholders' general meeting within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or two-thirds of the number specified in the company's articles of association;

- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

- whenever the board of directors deems necessary;

- when the board of supervisors so requests; or

- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, written notice shall be delivered to all the registered shareholders 45 days prior to the meeting, and the matters to be considered at and time and venue of the meeting shall be specified. The confirmation letters of our shareholders planning to attend the meeting shall be delivered to us 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders' constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered at and time and venue of the meeting to our Shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders must be passed both by special resolution of shareholders' general meeting and by class meeting convened pursuant to articles 81 to 85 of the Mandatory Provisions respectively by shareholders of the affected class.

Pursuant to Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters must be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, separation, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign on the minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. Directors shall continue to perform their duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement.

Under the PRC Company Law, the board of directors mainly exercises the following authorities:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager and to decide on the remuneration, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- to exercise any other authorities under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim Board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors must be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the articles of association or resolutions of the shareholders' general meeting and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint vice chairmen. The chairman and the vice chairmen are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairmen shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairmen. In the event that certain vice chairmen is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offence of bribery, corruption, embezzlement, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of the company or enterprise;

- a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and has been ordered to close down bylaw and the person was personally responsible for such revocation or close down, where less than three years have elapsed since the date of such revocation;

- a person who is liable for a relatively large amount of debt which has not been repaid when due;

- Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management officers may not act concurrently as supervisors. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the board of supervisors meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the statutory requirement.

The board of supervisors exercises the following powers:

- to review the company's financials;
- to supervise the directors and senior management officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;
- when the acts of directors and senior management officers are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to make proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management officers; and

- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

The board of supervisors meetings shall be convened at least every six months. Interim meetings of the board of supervisors can be convened by the supervisors. According to the PRC Company Law, resolutions of the board of supervisors require the approval of more than half of all the supervisors. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the board of supervisors meetings.

Manager and Senior Management Officers

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following authorities:

- in charge of the management of the company and to arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;

- to draft the plan for the establishment of the company's internal management organisation;

- to formulate the basic administration system of the company;

- to formulate the company's detailed rules;

- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

- other powers conferred by the board of directors.

Other provisions of the articles of association concerning the manager's authorities shall also be complied with. The manager shall be in attendance at the board meetings.

According to the PRC Company Law, senior management officers shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management Officers

Directors, supervisors and senior management officers of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management officers are prohibited from abusing their powers to accept bribes or other unlawful income and from embezzlement of the company's properties. Directors and senior management officers are prohibited from:

- misappropriation of company capital;

- depositing company capital into accounts under their own name or the name of other individuals;

- loaning company funds to others or providing guarantees in favour of others supported by the company's properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

- entering into contracts or dealing with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accepting and possessing the commissions paid by others for transactions conducted with the company;

- unauthorised disclosure of confidential business information of the company; or

- engaging in other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting reports shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial statements to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund must be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profits. The premium received through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund cannot be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with the provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of it. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that we employ without any refusal, concealing and misrepresentation.

The Special Regulations requires us to employ an independent accounting firm complying with the relevant regulations to audit our annual report and review and check our other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are made up and the statutory reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendments to articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorised by the State Council. It must process the registration of changes involving matters of company registration in accordance with laws.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked in accordance with laws; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding our shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv),or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following authorities during the liquidation period:

- to check up the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish relevant evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon checking up of our properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding payable taxes and our debts shall be distributed to shareholders according to their shareholding proportion. The company shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon checking up of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and comply with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their authorities to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors against any loss arising from his wilful or material default.

Overseas Listing

According to the Special Regulations, a company must obtain the approval of the Securities Committee under the State Council (merged with CSRC in 1998) to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after obtaining approval from CSRC.

Loss of Share Certificates

If a share certificate in registered form is either lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information by joint stock limited companies. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council dissolved the Securities Committee and assigned its functions to CSRC. CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to authorisations by laws and regulations.

The Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on 1 July 1999 and was revised as at 28 August 2004, 27 October 2005, 29 June 2013 and 31 August 2014, respectively. It is currently undergoing a new round of revisions. It is the first national securities law in the PRC, which comprehensively regulates activities in the PRC securities market and is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, as well as the duties and responsibilities of the securities exchanges, securities companies and the securities regulatory authorities under the State Council. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the regulatory authorities under the State Council to conduct the overseas offering of securities directly or indirectly and list its securities outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that whenever any disputes or claims arise (i) between holders of shares and the issuer; and (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management officers. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is submitted to arbitration, the entire claim or dispute must be submitted to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall be subject to the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on 4 November 2014 and implemented on 1 January 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The CIETAC is located in Beijing and it has set up several branches and centres such as in Shenzhen, Shanghai, Tianjin, Chongqing and Hong Kong.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention must be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On 18 June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. The Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》). Under the arrangement, awards made by PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

FOREIGN EXCHANGE CONTROL

The foreign exchange control legal system mainly includes in the PRC (i) the PRC Foreign Exchange Control Regulations (中華人民共和國外匯管理條例)(the "Foreign Exchange Regulations"), which were promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and were subsequently amended on 14 January 1997 and 5 August 2008, and (ii) the Regulations on Foreign Exchange Settlement, Sale and Payments (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996.

Pursuant to the Foreign Exchange Regulations, foreign exchange revenue under the current account may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities must be obtained, unless otherwise provided by the State.

In accordance with the Circular on the Relevant Issues of Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) as promulgated by SAFE and took effect on 26 December 2014, a domestic company shall complete the registration procedure for overseas listing with the local branch of SAFE at the place of its registration within 15 working days after completion of issuance for its overseas listing. The proceeds from an overseas listing may be remitted to domestic or deposited overseas, and the use of proceeds shall be consistent with the relevant contents of the prospectus and other public disclosure documents.

Pursuant to the Guidelines on Foreign Exchange Control for Insurance Businesses (《保險業務外匯管理指引》), which were promulgated on 19 January 2015 and became effective on 1 March 2015, an insurance institution, upon approval from the local branch of SAFE at the place of its registration, may apply for the conversion of foreign currency capital funds and foreign currency funds raised from overseas listing to RMB with a financial institution.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of H shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarise certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital, is incorporated and will become an independent corporate existence after the company's registrar of Hong Kong has issued a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The registered capital of a joint stock limited company is the total share capital subscribed by the promoters or the total paid-up capital as registered with the company registration authorities. The latest amended PRC Company Law removed the general provisions on statutory minimum registered capital. However, provisions otherwise prescribed by laws, regulations and the State Council's decisions on the company's paid-in registered capital or minimum registered capital shall prevail.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorised by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed H shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Similarly, directors, supervisors and the senior management of such company cannot transfer their shares within one year from the day when the shares are listed and traded on a stock exchange, while no more than 25% of the total number of shares of the company held by such persons shall be transferred each year during their term of office upon the expiry of the limited period. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law apart from the six-month lock-up on the company's issue of shares and the 12-month lock-up on controlling shareholders' disposal of shares (see the section headed "Share Capital — Lock-up Period" and "Underwriting — Undertakings pursuant to the Hong Kong Underwriting Agreement" for further details).

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other classes of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management Officers and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major disposals, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the Company's best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by a shareholders' general meeting, or by the Board, that violates any law, administrative regulations or articles of association or if the directors, supervisors or senior managers violate laws, administrative regulations or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions provide certain remedies against the directors, supervisors and senior management officers who breach their duties to the company. In addition, as a condition to the listing of H shares on the Hong Kong Stock Exchange, each director and supervisor is required to give an undertaking in favour of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, a quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company must within five days notify its shareholders again by way of a public announcement and may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a company is required to make available at the company for inspection by shareholders its financial and accounting reports 20 days before its shareholders' annual general meeting. In addition, it must publish its financial and accounting reports. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send to each shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

When the Mandatory Provisions apply, the relevant companies are required to establish its financial and accounting system in accordance with PRC accounting standards. In addition to preparing financial statements according to PRC standards, the company should have financial statements prepared in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effects of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganisation

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the businesses or properties of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Hong Kong Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganisations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts.

The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Hong Kong Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management officer).

Dividends

The company is entitled in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of H shares until upon the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors, managers and other senior management officers shall observe the principle of good faith when performing their duties and are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Members

The Hong Kong Companies Ordinance requires that the register of members of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Adviser

A listed company is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of its financial results for the first full financial year commencing after the Listing Date, to provide it with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to its two authorised representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the listed company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the listed company informed on a timely basis of any changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the listed company's principal channel of communication with the Hong Kong Stock Exchange if the authorised representatives of the listed company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or IFRS.

Process Agent

A listed company is required to appoint and maintain an authorised person to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of the appointment, the termination of such appointment and the contact particulars of such authorised person.

Public Shareholding

If at any time there are issued securities of a PRC issuer other than foreign invested shares which are listed on the Hong Kong Stock Exchange (the "Foreign Invested Shares"), the Hong Kong Listing Rules require that the aggregate amount of such Foreign Invested Shares held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the Foreign Invested Shares for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company is expected to have a market capitalisation at the time of listing of more than HK$10 billion.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's all shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the Articles of Association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. It must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC laws of which directors are aware, if any. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorising, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required to the extent that the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in such resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and foreign shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of our plan at the time of our establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee or such other competent securities regulatory authorities under the State Council.

Supervisors

A listed company is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or nominated supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or the subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A listed company may not permit or cause any amendment to its articles of association which would cause them to cease to be in conformity with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A listed company is required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by its shareholders at reasonable charges the following:

- complete duplicate register of members;
- report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and (if any) supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;

- agrees with the company, each shareholder, director, supervisor, manager and other senior management officer and it (acting both for the company and for each director, supervisor, manager and other senior management officer), agrees with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration will be deemed to authorise the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and

- authorises the company to enter into a contract on its behalf with each director and senior management officer whereby such directors and senior management officers undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Compliance with the PRC Company Law, the Special Regulations and Articles of Association

A company is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management Officers and Supervisors

A PRC issuer is required to enter into a contract in writing with each director and senior management officer containing at least the following provisions:

- an undertaking by the director or senior management officer to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his position is capable of assignment;

- an undertaking by the director or senior management officer to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior management officers and between a holder of H shares and a director or senior management officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

The relevant company is required to enter into a contract in writing with each supervisor containing terms substantially similar to those for directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws must govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and must be binding on the parties thereto. Disputes over the qualifications of a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

GENERAL

If any change to the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes to the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and propose special conditions in respect of any company's listing. Upon listing on the Hong Kong Stock Exchange, companies listed on the Hong Kong Stock Exchange be subject to the provisions of SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal must, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal must order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

This appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed "Documents Available for Inspection" in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix IX to this prospectus, a copy of the Articles of Association, together with an English translation, is available for inspection.

Our Articles of Association were adopted at the 2015 third extraordinary shareholders' general meeting on 26 June 2015.

Directors and Senior Officers

The Board is accountable to the shareholders' general meeting.

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue the Company's shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws, administrative regulations and other regulatory requirements.

Power to Dispose of the Assets of the Company

The Board shall only dispose of the Company's assets within the scope of the shareholders' mandate.

The Board shall not, without the prior approval at the shareholders' general meeting, dispose or agree to dispose of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposal and the value of the consideration for any disposal of any fixed assets that has been completed in the period of four months immediately preceding the proposed disposal, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed by the shareholders' general meeting. The validity of a transaction for the disposal by the Company of fixed assets shall not be affected by the breach of the aforesaid requirements.

For the purposes of the Articles of Association, a disposal of fixed assets includes an act involving the transfer of an interest in certain assets but does not include the provision of security by way of fixed assets.

Emoluments and Compensation

With the prior approval at a shareholders' general meeting, the Company shall sign written contracts with its Directors and Supervisors concerning his/her emoluments. Such emoluments include:

(1) emoluments in respect of his/her service as a Director, Supervisor, president and other senior management officer of the Company;

(2) emoluments in respect of his/her service as a Director, Supervisor, president and other senior management officer of a subsidiary of the Company;

(3) remuneration otherwise in connection with the provision of other services to manage the Company or any subsidiary thereof;

(4) compensation for his/her loss of office or retirement as a Director or Supervisor.

Except for the aforesaid contracts, a Director or Supervisor shall not file any lawsuit against the Company for the benefits they shall obtain for the foregoing matters.

In the contract for emoluments entered into by the Company with a Director or Supervisor, it shall be provided that such Director or Supervisor has the right to receive, in connection with the takeover of the Company and subject to the prior approval of the shareholders' general meeting, compensation or other payments for loss of office or retirement from office. A takeover of the Company means either of the following circumstances:

(1) a tender offer is made to all shareholders of the Company; or

(2) a tender offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above requirements, any sum received by the Director or Supervisor shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred in distributing that sum pro rata among those persons shall be borne by the relevant Director or Supervisor and not deducted from the sum distributed.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to Directors, Supervisors, president or other senior management officers of the Company or its parent company, or any of their respective associates (as defined below).

This Article shall not apply in the following circumstances:

(1) the provision by the Company of a loan or a guarantee of a loan to a subsidiary of the Company;

(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of our Directors, Supervisors, president and other senior management officers to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties in the Company, in accordance with the terms of an employment contract approved by the shareholders' general meeting;

(3) the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant Directors, Supervisors, president and other senior management officers of the Company or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

(1) at the time when the loan was provided to an associate of any of the Directors, Supervisors, president and other senior management officers of the Company or its parent company, the lender did not know the relevant circumstances; or

(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor.

Financial Assistance for the Acquisition of Shares in the Company or any Subsidiary

Subject to the exceptions in the Articles of Association, the Company or its subsidiaries shall not, at any time or in any manner, provide any financial assistance to any person who acquires or intends to acquire the shares of the Company. Persons who acquire shares of the Company as mentioned above shall include persons who directly or indirectly assume relevant obligations as a result of purchasing shares of the Company. The Company or its subsidiaries shall not, at any time or in any manner, provide any financial assistance for the aforementioned obligors to reduce or relieve them of their obligations.

The following activities shall not be deemed to be prohibited activities:

(1) the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the acquisition of the Company's shares, or the giving of the financial assistance is an incidental part of a plan of the Company;

(2) the lawful distribution of the Company's assets by way of dividend;

(3) the allotment of bonus shares of the Company as dividends;

(4) a reduction of registered capital, a repurchase of the Company's shares or a reorganisation of the share capital structure of the Company in accordance with the Articles of Association;

(5) the provision of loan for the normal business operation by the Company within its scope of business in the ordinary course of business of the Company (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);

(6) the provision of fund by the Company for an employee shareholding scheme (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).

For these purposes:

(1) "financial assistance" includes (without limitation) the following meanings:

   1. gift;

   2. guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own default), release or waiver of any rights;

   3. provision of loan or entering into a contract under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights arising under, such loan or contract; and

   4. any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

(2) "incurs an obligation" includes the obligations of the obligor by signing a contract or making an arrangement (regardless of whether or not the aforesaid agreement or arrangement is enforceable, or whether or not such obligations are assumed by the obligor individually or jointly with any other person), or changing its financial condition in any other way.

Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a Director, Supervisor, president and other senior management officer of the Company has a material interest, directly or indirectly, in a contract, transaction or arrangement concluded or planned by the Company (except his employment contract with the Company), he shall disclose the nature and extent of his interest to the Board at the earliest opportunity, whether or not the relevant matter is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, president and other senior management officers of the Company has disclosed such interest to the Board as required under the preceding paragraph hereof and the relevant matter has been approved by the Board at a meeting in which he is not counted in the quorum and has refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the relevant Director, Supervisor, president and other senior management officer concerned.

A Director, Supervisor, president and other senior management officer of the Company shall be deemed to have an interest in any contract, transaction or arrangement in which any associate of such Director, Supervisor, president and other senior management officer has an interest.

Where a Director, Supervisor, president or other senior management officer of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he has an interest in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed to be a sufficient declaration of his interests as required above, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Where a Director or any close associate (as defined in the Hong Kong Listing Rules) of a Director has material interests or affiliated relationship in a matter to be resolved by the Board, such Director(s) shall not be counted as quorum, shall abstain from voting on such resolution(s) and shall not vote on behalf of other Directors unless otherwise specified in laws, administrative regulations, regulatory requirements or relevant requirements of the securities regulatory authorities or stock exchange at the place where the shares of the Company are listed.

Such resolutions of the Board meeting in relation to the approval of the proposed matters shall be passed by more than one-half of the votes of the Directors who have no affiliated relationship in the resolutions.

Where the number of Directors who have no affiliated relationship attending the Board meeting is less than three, the Board shall promptly refer such resolution(s) to shareholders' general meeting for consideration. Upon such referral, the Board should explain the circumstances of review of the Board on such resolution(s) and record the views expressed by the Directors who have no affiliated relationship on such resolution(s).

Remuneration

The remuneration of Directors must be approved at the shareholders' general meeting.

Appointment, Removal and Retirement

Each term of office of a Director is three years. A Director may serve consecutive terms if he is re-elected upon the expiration of his or her term of office. The shareholders' general meetings shall not dismiss any director before the expiry of his/her term without any reasons. The term of office of a Director shall commence on the later of the date of election at the shareholders' general meeting or the date on which the Director's qualifications are approved by the CIRC until expiration of the term of the Board. An officially appointed Director shall not perform his/her functions if his qualifications have not been approved. Any votes cast by a Director the qualifications of whom have not been approved shall have no legal effect.

Directors shall be elected, replaced and removed by ordinary resolution (other than the removal of independent directors) at a shareholders' general meeting (provided that the shareholders' general meeting complies with relevant laws, administrative regulations and regulatory requirements and without prejudice to claims made by the Director being removed under any contract).

In addition, the candidates for the Board (excluding the candidates for the first Board) shall be nominated by the preceding Board or shareholders, individually or in aggregate, holding 5% or more of the Company's shares carrying voting rights and shall be elected at the shareholders' general meeting.

The Board shall consist of 11 Directors, of which four shall be independent directors. The Board shall have one chairman who shall be elected and removed by a majority of all the Directors. A Director is not required to hold shares of the Company.

A person may not serve as a Director, Supervisor, president or any other senior management officer of the Company in any of the following circumstances:

(1) a person without legal capacity for civil conduct or with restricted legal capacity for civil conduct;

(2) a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders; or who has been deprived of his political rights, in each case where not more than five years have elapsed since the date of the completion of such punishment or deprivation;

(3) a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation due to mismanagement and he is personally liable for the insolvency of such company or enterprise, where not more than three years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(4) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and who incurred personal liability, where not more than three years has elapsed since the date of the revocation of the business license;

(5) a person who has a relatively substantial amount of debts due and outstanding;

(6) a person who was under investigation by the judicial authorities as a result of violation of criminal law and such case has not been closed;

(7) a person who may not act as leaders of enterprises by virtue of laws and administrative regulations;

(8) a non-natural person;

(9) a person who is convicted of contravention of relevant securities laws and regulations by a relevant regulatory authority, where such conviction involves fraudulent or dishonest acts and not more than five years have elapsed since the date of such conviction;

(10) a person of whom laws, administrative regulations, regulatory requirements, the Articles of Association, the CIRC and other regulatory authorities deem not appropriate to act as a Director, Supervisor, president or other senior management officer.

The validity of an act of a Director, president or other senior management officer of the Company on behalf of the Company towards a bona fide third party shall not be affected by any non-compliance in his office, election or qualifications.

Obligations

Directors, Supervisor, president and other senior management officers of the Company shall comply with laws, administrative regulations, regulatory requirements and the Articles of Association, and owe fiduciary duties to the Company and its shareholders.

In addition to the obligations imposed by laws, administrative regulations, regulatory requirements or relevant requirements of the securities regulatory authorities or stock exchange at the place where the shares of the Company are listed, Directors, Supervisors, president and other senior management officers of the Company shall also owe the following obligations to each shareholder in the exercise of respective functions and powers granted by the Company:

(1) not to cause the Company to exceed the scope of the business stipulated in its business license;

(2) to act honestly in the best interests of the Company;

(3) not to expropriate in any guise the Company's property in any way, including (without limitation) usurpation of opportunities advantageous to the Company;

(4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders' general meeting for approval in accordance with the Articles of Association.

Each of our Directors, Supervisors, president and other senior management officers owes a duty, in the exercise of his powers or discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances.

Each of our Directors, Supervisors, president and other senior management officers shall carry out his duties in accordance with fiduciary principle and shall not put himself in a position where his duties and his interests may come into conflict. This principle includes (without limitation) discharging the following obligations:

(1) to act honestly in the best interests of the Company;

(2) to exercise powers within the scope of his powers and not to exceed those powers;

(3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of the shareholders given at shareholders' general meeting, not to delegate the exercise of his discretion;

(4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(5) unless otherwise specified in the Articles of Association or with the informed consent of shareholders given at shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;

(6) without the informed consent of shareholders given at shareholders' general meeting, not to use the Company's property for his own benefit in any form;

(7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

(8) without the informed consent of shareholders given at shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

(9) to abide by the Articles of Association, faithfully execute his official duties and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;

(10) not to compete with the Company in any form unless with the informed consent of shareholders given in shareholders' general meeting;

(11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets; and

(12) unless with the informed consent of shareholders given in shareholders' general meeting, to keep in confidence confidential information regarding the Company acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

1. required by law;

2. required for public interest;

3. the interests of the relevant Director, Supervisor, president or other senior management officer require disclosure.

Each Director, Supervisor, president and other senior management officer of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that Director, Supervisor, president and other senior management officer;

(2) a person acting in the capacity of trustee of that Director, Supervisor, president and other senior management officer of the Company or any person referred to in paragraph (1) of this Article;

(3) a person acting in the capacity of partner of that Director, Supervisor, president and other senior management officer of the Company or any person referred to in paragraphs (1) and (2) of this Article;

(4) a company in which that Director, Supervisor, president, and other senior management officer of the Company, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) of this Article or other Directors, Supervisors, president and other senior management officers of the Company, have a de facto controlling interest;

(5) the directors, supervisors, president and other senior management officers of the controlled company referred to in paragraph (4) of this Article.

The fiduciary duties of the Directors, Supervisors, president and other senior management officers of the Company do not necessarily cease upon termination of their tenure. The duty to keep confidential trade secrets of the Company survives the termination of their tenure. The continuous period of other duties must be decided according to the principle of fairness, depending on the time lapse between the termination of tenure and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by laws and administrative regulations, where a Director, Supervisor, president or other senior management officer of the Company is in breach of his duties to the Company, the Company has the right to:

(1) claim damages from relevant Director, Supervisor, president or other senior management officer in compensation for losses incurred by the Company as a result of his dereliction of duty;

(2) rescind any contract or transaction entered into by the Company with the Director, Supervisor, president or other senior management officer or with a third party (where the third party knows or should know that there is a breach of obligations owed to the Company by such Director, Supervisor, president or other senior management officer on behalf of the Company);

(3) demand a surrender of profits made by the Director, Supervisor, president or other senior management officer in breach of his obligations;

(4) recover any funds received by the Director, Supervisor, president or other senior management officer which should have been received by the Company, including (without limitation) commissions;

(5) demand return of the interest earned or which may have been earned by the Director, Supervisor, president or other senior management officer on funds that should have been paid to the Company.

Subject to the Articles of Association, a Director, Supervisor, president or other senior management officer of the Company may be relieved from liability for specific breaches of his duties by the informed consent of the shareholders' general meeting, except under the following circumstances:

Other than obligated by laws, administrative regulations or the listing rules of the stock exchange on which the Company's shares are listed, the controlling shareholders, when exercising his rights as a shareholder, shall not make decisions that would impair the interest of all or part of the shareholders on the following matters by means of voting:

(1) to release the obligation of Directors and Supervisors to act honestly in the best interest of the Company;

(2) to allow Directors and Supervisors for the interest of themselves or others, to expropriate the Company's property, including (without limitation) opportunities advantageous to the Company;

(3) to allow Directors and Supervisors for the interest of themselves or others, to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

The term "controlling shareholder" means a person who satisfies any one of the following conditions:

(1) a person who, acting alone or in concert with others, has the right to elect half or more of the Directors;

(2) a person who, acting alone or in concert with others, has the right to exercise or control the exercise of 30% or more of the voting rights of the Company;

(3) a person who, acting alone or in concert with others, holds 30% or more of the issued shares of the Company;

(4) a person who, acting alone or in concert with others, can de facto control the Company in any other manners.

The above term "acting in concert" means two or more persons who, by way of agreement (whether verbal or in writing), cooperation or related party relationship or other lawful ways, enlarge the proportion of the shares in the Company which are under their control or consolidate their control over the Company, so that when a vote is taken, the same expression of opinions will be made (including jointly proposing motions, jointly nominating directors, exercise of voting right by proxy without giving instruction on how to vote, provided that proxy solicitation publicly is to be excluded).

Amendments to Constitutional Documents

The Company may amend the Articles of Association as required by laws, administrative regulations, regulatory requirements and the Articles of Association.

The Company shall amend the Articles of Association in any of the following circumstances:

(1) after the revision of Company Law, Insurance Law or applicable laws, administrative regulations and regulatory requirements, provisions contained in the Articles of Association conflict with the revised laws, administrative regulations and regulatory requirements;

(2) changes in the state of the Company result in discrepancies between the actual status and those stated in the Articles of Association;

(3) revision of the Articles of Association as decided by the shareholders' general meeting.

The amendments to the Articles of Association as approved at shareholders' general meeting shall be reported to and approved by relevant regulatory authorities. Any registration by the Company for such amendments according to laws shall be so registered.

Variation of Rights of Existing Shares or Classes of Shares

Shareholders who own 5% or more of the Company's shares are required to report such fact in writing to the Company on the day of occurrence and the Company shall report to the CIRC for its approval within five days after the date of occurrence. The CIRC has the right to require an investor who does not meet the qualifications to transfer the Company's shares held by him.

If investors have not transferred the Company's shares as required by the CIRC ("Excess Shares"), shareholders holding the Excess Shares will be subject to necessary restrictions when exercising shareholder's rights arising from the Excess Shares, including:

(1) no voting rights will be attached to Excess Shares to vote at shareholders' general meeting (including class shareholders' meeting); and

(2) no rights to nominate Directors or Supervisors under the Articles of Association will be attached to Excess Shares.

Where the Company intends to change or abrogate the rights conferred on any class of shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by holders of that affected class of shares at a separate meeting conducted in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of a class of shareholders:

(1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of class having voting or distribution rights or privileges equal to or more than those of shares of such class;

(2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) to cancel or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or cancel the rights for dividend preference or a liquidation preference, during the process of the Company's liquidation, attached to shares of such class;

(5) to add, remove or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

(6) to cancel or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or distribution right or privileges equal to or more than those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add such restriction;

(9) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(10) to increase the rights and privileges of shares of another class;

(11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of responsibilities in such restructuring;

(12) to revise or abrogate provisions in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs 2 to 8, 11 and 12 above, but interested shareholder(s) shall not be entitled to vote at class meetings.

The term "interested shareholder" mentioned above means:

(1) in the case of a repurchase of shares by making offers to all shareholders by the same proportion pursuant to the Articles of Association or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;

(2) in the case of a repurchase of shares by an off-market agreement under the Articles of Association, a shareholder to whom the proposed agreement is related; and

(3) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given 45 days prior to the date of the class meeting to notify all the registered shareholders of that class to the effect that the matters to be considered at the class meeting as well as the date and place of the meeting. Shareholders that intend to attend the class meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting reaches half or more of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class meeting. If not, the Company shall within five days inform the shareholders once again of the agenda, time and place of the meeting in the form of a public notice. Upon notification by public notice, the Company may hold the class meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meeting. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders. Other than shareholders of other separate classes, holders of domestic shares and overseas listed shares are deemed to be shareholders of different classes.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(1) where the Company issues, upon the approval by a special resolution at the shareholders' general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas listed shares;

(2) where the Company's plan to issue domestic shares and overseas listed shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority of the State Council; or

(3) where, pursuant to the relevant laws, administrative regulations and regulatory requirements, shareholders of un-listed shares of the Company trade their shares on an overseas stock exchange.

Resolutions - Ordinary Resolutions and Special Resolutions

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution to be adopted at the shareholders' general meeting shall be passed by votes representing more than one-half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution to be adopted at the shareholders' general meeting shall be passed by votes representing two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting.

Voting Rights

A shareholder shall be entitled to one vote for every share with voting right he holds when voting in person or by proxy. However, shares held by the Company do not represent voting rights.

Resolutions at a shareholders' general meeting shall be decided by a show of hands unless a poll is demanded before or after any vote on a show of hand:

(1) by the chairman of the meeting;

(2) by at least two shareholders entitled to vote present in person or by proxy; or

(3) by shareholders (including proxies) individually or in aggregate representing 10% or more of all shares carrying the right to vote at the meeting.

Unless somebody proposes voting by poll, the Chairman of the meeting shall declare whether the proposal has been adopted according to the results of the vote by a show of hands, and shall record the same in the minutes of the meeting, which shall serve as final evidence without having to state the number or proportion of the votes for or against the resolution adopted at the meeting.

The demand for a vote by poll may be withdrawn by the person who makes such demand.

If the matter demanded to be voted upon by poll is the election of the Chairman or the adjournment of the meeting, a poll shall be taken forthwith. A poll demanded on any other matter shall be taken at such time as the chairman of the meeting directs and the meeting may proceed with the discussion of other matters; the results of the poll shall still be regarded as a resolution passed at that meeting.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way or abstain from voting.

Requirements for Annual General Meetings

The annual shareholders' general meeting shall be held within six months from the close of the preceding accounting year.

Accounts and Audit

The Company shall formulate its financial accounting system as required by laws, administrative regulations, regulatory requirements and PRC accounting principles formulated by the financial regulatory authority of the State Council.

The Board shall place before the shareholders at every annual shareholders' general meeting a financial report prepared by the Company as required by the relevant laws, administrative regulations and regulatory requirements.

The financial report of the Company shall be made available at the legal address of the Company 20 days prior to the date of the annual shareholders' general meeting of the Company for inspection by shareholders. Every shareholder of the Company shall have the right to obtain the financial report referred to in this section.

The financial statements of the Company shall be prepared in accordance with PRC accounting standards and regulations and, in addition thereto, shall also be in accordance with either the International Accounting Standards or the accounting standards of the overseas territory where the Company is listed. If there is any material difference between the financial statements prepared respectively in accordance with the two aforementioned accounting standards, such difference shall be stated in the notes to the financial statements. For the purpose of distributing the profits after tax of the Company in respect of the relevant financial year, the lower amount of the profits after tax stated in the two sets of financial statements as aforesaid shall be taken to be the amount of the profits after tax.

Any interim results or financial information published or disclosed by the Company shall be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international standards or that of the place where the Company's shares are listed.

The Company shall disclose its financial reports twice in each financial year, that is, the interim financial reports within 60 days after the end of the first six months of a financial year and its annual financial reports within 120 days after the end of its financial year. Any other requirements as required by the rules of the securities regulatory authorities or stock exchange at the place where shares of the Company are listed should thus be followed.

Functions and Powers, Convening and Resolutions of Shareholders' General Meetings

Functions and Powers of Shareholders' General Meetings

Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

(1) to decide on operational policies and investment plans of the Company;

(2) to elect or replace the Directors and Supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of directors and supervisors;

(3) to consider and approve reports of the Board;

(4) to consider and approve reports of the Board of Supervisors;

(5) to consider and approve annual financial budgets and financial accounts of the Company;

(6) to consider and approve proposals for profit distribution and for recovery of losses of the Company;

(7) to decide on increase and reduction of the registered capital of the Company;

(8) to decide on the issuance of bonds, shares, warrants or other marketable securities and listing of the Company;

(9) to decide on merger, division, dissolution and liquidation of the Company and changes in the form of the Company;

(10) to amend the Articles of Association and to formulate and amend the procedural rules of the shareholders' general meetings and the meetings of the Board and the Board of Supervisors;

(11) to decide on the acquisition of shares of the Company;

(12) to decide on the appointment, dismissal or non-reappointment of accounting firms which provide regular statutory audit for financial statements of the Company;

(13) to consider and approve matters related to the Company's establishment of legal entities, significant investment, major acquisition of assets, major disposal and write-off of assets, major external donation and major external guarantee (other than those authorised to be determined by the Board);

(14) to consider and approve related transactions required to be approved by the shareholders' general meeting under laws, administrative regulations, regulatory requirements and the securities regulatory authorities or stock exchange at the place where the Company's shares are listed;

(15) to consider and approve matters related to the change of use of the raised fund;

(16) to consider and approve share incentive scheme;

(17) to consider and approve any proposal raised by shareholders, individually or in aggregate, holding 3% or more of the issued shares of the Company with voting rights (the "proposing shareholders");

(18) to consider and approve plan on authorisation to the Board granted by shareholders' general meetings; and

(19) to consider and approve other matters that are to be determined at shareholders' general meeting as required by laws, administrative regulations, regulatory requirements and the Articles of Association.

The shareholders' general meeting may delegate power to the Board to decide matters within its scope of authority in accordance with laws. The authorisation conferred by the shareholders' general meeting upon the Board shall be clear and specific. If the authorised matters shall be adopted by the shareholders' general meeting by way of ordinary resolution according to the Articles of Association, such resolutions shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the shareholders' general meeting. If the authorised matters shall be adopted by the shareholders' general meeting by way of special resolutions according to the Articles of Association, such resolution shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the shareholders' general meeting.

The Company shall not, without the prior approval of shareholders' general meeting, enter into any contract with any person other than a Director, Supervisor, president and other senior management officer whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person.

Convening and Holding of Shareholders' General Meetings

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings.

The Company shall convene an extraordinary general meeting within two months after the occurrence of any of the following circumstances:

(1) when the number of Directors is less than the minimum number of directors required by the Company Law or two-thirds of the number of members of the Board specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;

(3) when there is a written request of the shareholders, individually or in aggregate, holding 10% or more of the outstanding shares of the Company with voting rights;

(4) when deemed necessary by the Board;

(5) when proposed by the Board of Supervisors; or

(6) other situations, as stipulated in laws, administrative regulations, regulatory requirements or the Articles of Association.

Notice of a shareholders' general meeting shall be given 45 days prior to the date of the meeting to notify all the shareholders to the effect that the matters to be considered at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the shareholders' general meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

When the Company is to hold a shareholders' general meeting, the proposing shareholders, the Board, the Board of Supervisors and half or more of the total number of independent directors (at least two) shall be entitled to raise proposals in writing to the Company. The Company shall include in such meeting's agenda the matters in the proposals within the scope of functions and powers of the shareholders' general meeting.

The proposing shareholders may raise interim proposals and submit the same to the convenor of the shareholders' general meeting 10 days prior to the day of the meeting, and matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting shall be included in such meeting's agenda. The convenor of the shareholders' general meeting shall within two days upon receiving such interim proposals give supplemental notice to the shareholders. The content of such interim proposals shall be within the scope of approval of a shareholders' general meeting, and contains specific subjects and concrete matters for approval.

The Company shall, based on the written replies received, calculate the number of voting shares represented by shareholders who intend to attend the shareholders' general meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting has not reached one-half or more of the Company's total voting shares, the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the date and the place for the meeting. The Company then may convene the meeting after the publication of such public notice. Failure of a shareholder to deliver written reply to the Company on meeting attendance shall not affect his right to attend the meeting.

A notice for the shareholders' general meeting shall be in writing and comply with the following requirements:

(1) specify the place, date and time of the meeting;

(2) state the matters to be discussed and considered at the meeting and fully disclose contents of all the proposals. Proposed changes to any resolution passed at previous shareholders' general meeting shall be disclosed in full rather than disclosing the changes only;

(3) provide such information and explanations as are necessary for the shareholders to exercise an informed decision on the proposals before them, the principle of which including without limitation where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganise the share capital, or to restructure the Company in any other way, specific conditions and contracts of the proposed transaction in detail (if any) and a serious and detailed explanation of the cause and consequence of such proposal;

(4) state in writing explicitly that shareholders entitled to attend and vote at the meeting shall have the right to appoint one or more proxies to attend on his behalf and to vote thereat and the proxy or proxies need not be a shareholder;

(5) contain a disclosure of the nature and extent, if any Director, Supervisor or other senior management officer has material interests in the matters proposed; and a statement of the difference, if the effect of the proposed matters on the said director, supervisor or senior management officer in their capacity as shareholders is different from the effect on other shareholders of the same class;

(6) contain the full text of any special resolution proposed to be passed at the meeting;

(7) specify the time and place for the delivery of the proxy form of the meeting; and

(8) state the name and contact method of the regular contact person of the meeting.

Notice of a shareholders' general meeting shall be served on shareholders (whether or not entitled to vote at the general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of members. For the holders of domestic shares of the Company, notice of the meeting may be issued by way of public notice.

The aforesaid public notice shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council within the period between 45 days and 50 days prior to the date of the meeting. After the publication of such notice, the holders of domestic shares of the Company shall be deemed to have received the notice of the relevant shareholders' general meeting.

For holders of overseas listed shares, subject to the compliance with applicable laws, administrative regulations, regulatory requirements and relevant requirements of the securities regulatory authorities or stock exchange at the place where the shares of the Company are listed, the notice of a shareholders' general meeting may be published on the website of the Company and the Hong Kong Stock Exchange in place of personal delivery or prepaid mail to the holders of overseas listed shares.

Resolution at a Shareholders' General Meeting

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

(1) the operational policies and investment plans of the Company;

(2) the election, replacement or removal of the directors (except the removal of independent directors) and supervisors who are not representative of the employees of the Company and determination of the remuneration of the directors and supervisors;-

(3) reports of the Board and the Board of Supervisors;

(4) annual financial budgets and final accounts of the Company;

(5) the profit distribution plans and plans for loss recovery of the Company;

(6) formulation and amendment of the procedural rules of the shareholders' general meetings, the meetings of the Board and the Board of Supervisors;

(7) appointment, dismissal or non-reappointment of accounting firms that conduct regular statutory audit of the Company's financial reports;

(8) the Company's establishment of legal entities, significant investment, major asset purchasing, major asset disposal and write off, major external donations and major external guarantee of the Company (other than the matters set out in Item (7) of Section 95 of the Articles of Association);

(9) related transactions to be considered and approved at a shareholders' general meeting as required by the laws, administrative regulations and regulatory requirements, the provisions of the securities regulatory authority or stock exchange of the place where the shares of the Company are listed;

(10) matters other than those required by the laws, administrative regulations, regulatory requirements or by the Articles of Association to be adopted by special resolutions.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

(1) the increase or decrease in the Company's registered capital;

(2) the issue of bonds, shares, warrants or other marketable securities and listing of the Company;

(3) the repurchase of the Company's shares;

(4) the merger, division, dissolution, liquidation and change in the form of the Company;

(5) the amendments to the Articles of Association;

(6) removal of the independent directors;

(7) any purchase or sale of substantial assets or the amount guaranteed by the Company in a year in excess of 30% of the total assets of the Company;

(8) share incentive scheme;

(9) other matters required by laws, administrative regulations, regulatory requirements, the provisions of the Articles of Association or decided by the shareholders' general meeting, by way of an ordinary resolution, which may have a material impact on the Company and should be adopted by a special resolution.

Share Transfer

Unless otherwise required by the laws, administrative regulations and the requirement of the securities regulatory authority or stock exchange of the place where the shares of the Company are listed, the fully-paid shares of the Company are freely transferrable and free and clear of any lien.

No shares issued prior to the Company's initial public offering of shares shall be transferred within one year since the date when the shares of the Company are listed in the stock exchange.

Directors, Supervisors, president and senior management officers of the Company shall report their shareholdings in the Company and the changes. During his/her tenure, no shares exceeding 25% of his/her total shareholding in the Company shall be transferred within one year; and no transfer of shares held by him/her shall be allowed within one year since the date when the shares in the Company are listed. The aforesaid personnel shall not transfer the shares held by him/her within half a year after leaving his/her office.

All fully-paid overseas listed foreign shares listed in Hong Kong are freely transferrable under the Articles of Association, provided that the Board may refuse to acknowledge any transfer document without reason unless the following conditions are met:

(1) The transfer documents and other documents which relate to or may affect the title of any shares shall be registered and fees in connection with such registration shall be paid to the Company at a standard fee prescribed in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(2) The transfer documents only relate to overseas listed foreign shares listed on the Hong Kong Stock Exchange;

(3) the stamp duty which is payable for the transfer documents has been duly paid;

(4) the relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the shares have been provided;

(5) where the shares are intended to be transferred to joint holders, the number of such joint shareholders shall not be more than four;

(6) The shares shall be free and clear of any lien of the Company.

If the Board rejects to register the transfer of shares, the Company shall, within 2 months from the date when duly application for the transfer was submitted, give a notice of rejection on the registration of such transfer of shares to the transferor and transferee.

All transfers of overseas listed foreign shares listed in Hong Kong (including standard transfer form or other form of transfer as required by the Hong Kong Stock Exchange from time to time) shall adopt written instruments of transfer in an ordinary or usual form or in any other form acceptable to the Board. The instruments of transfer may be signed by hand or (where the transferor or transferee is a corporation) by the company's seal. Where the transferor or transferee is a recognised clearing house as defined by the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), or its nominee, the transfer form may be signed by hand or in a machine-imprinted format.

Right to Repurchase Its Own Shares by the Company in Accordance With the Laws

The Company may reduce its registered capital in accordance with the laws, administrative regulations, regulatory requirements and the Articles of Association.

The Company may repurchase its own shares in accordance with the laws under the following circumstances:

(1) reduce the registered capital of the Company;

(2) merger with another company holding shares in the Company;

(3) grant the shares as an incentive to employees of the Company;

(4) shareholders request the Company to repurchase shares held by those shareholders who dissent with the resolutions passed during shareholders' general meetings in relation to the merger or division of the Company;

(5) other circumstances permitted by the laws, administrative regulations and regulatory requirements.

When the Company is to repurchase its shares because of the circumstances (1) to (3) set out above, prior approval shall be obtained in shareholders' general meeting.

Under the circumstance set out in (1), the shares shall be cancelled within 10 days of repurchase; under the circumstances set out in (2) and (4), the shares shall be transferred or cancelled within six months of repurchase.

Under the circumstance set out in (3), the shares shall not exceed 5% of the total issued shares of the Company; the capital utilised for the repurchase shall be paid from the profit after tax of the Company; the shares repurchased shall be transferred to its employees within a year.

Other than the above circumstances, the Company shall not purchase or sell its own shares.

The Company may repurchase its shares in one of the following ways with approval from relevant governing authorities of the State:

(1) Making a pro rata offer of repurchase to all of its shareholders;

(2) Repurchasing shares through public dealing on a stock exchange;

(3) Repurchasing shares by an off-market agreement; or

(4) Other ways permitted by laws, administrative regulations and regulatory requirements or by relevant securities regulatory authorities or stock exchange of the place where the Company's shares are listed.

Where the Company is to repurchase its shares through off-market agreement, prior approval shall be obtained from shareholders at a general meeting in accordance with the Articles of Association. With prior approval by shareholders at a general meeting obtained in the same manner, the Company may rescind or amend contracts concluded in the manner set forth above or waive any of its rights under such contracts.

The contracts to repurchase shares as referred to in the preceding paragraph includes, but not limited to, an agreement to become obliged to buy back or to acquire of the right to buy back.

The Company shall not assign a contract for the repurchase of its own shares or any of its rights thereunder.

Where the Company has the right to purchase redeemable shares, the purchase price shall be limited to a maximum price if the purchases are not made through a stock exchange or by tender. If purchases are made by tender, tenders shall be made available to all shareholders on the same terms.

For the portion of shares cancelled due to the repurchase of the Company's own shares, such shares shall be cancelled within a time limit as required by the laws and administrative regulations and application for the change of registered capital shall be filed with the original registration authority of the Company.

The aggregate par value of the shares cancelled due to the repurchase of the Company's own shares shall be deducted from the Company's registered capital.

Unless the Company is in the course of liquidation, it shall comply with the following provisions when repurchasing its issued shares:

(1) Where the Company repurchases its own shares at par value, payment shall be deducted from the book balance of distributable profits of the Company and the proceeds from the new share issue for the purpose of repurchasing the existing shares;

(2) Where the Company repurchases its own shares at a price higher than the par value, the portion equivalent to the par value shall be deducted from the book balance of the distributable profits of the Company and the proceeds from the new share issue for the purpose of repurchasing the existing shares; the portion beyond the par value shall be handled as follows:

   1. If the shares repurchased are issued at par value, the payment shall be deducted from the book balance of the distributable profits of the Company;

   2. If the shares repurchased were issued at a price higher than the par value, payment shall be deducted from the book balance of the distributable profits of the Company and the proceeds from the new share issue for the purpose of repurchasing the existing shares; however, the amount deducted from the proceeds from the new share issue shall neither exceed the aggregate premium from the issue of the existing shares repurchased nor shall it exceed the amount (including the premiums from the new share issue) in the premium account (or the capital reserve account) at the repurchase.

(3) Payments for the following purposes shall be made out of the Company's distributable profits:

1. Acquisition of the right to repurchase shares of the Company;

2. Modification of any contract to repurchase shares of the Company; or

3. Release of any of the Company's obligation under any contract for the repurchase of its shares.

(4) After the total par value of the cancelled shares is deducted from the Company's registered capital in accordance with relevant requirements, the amount deducted from the distributable profits for the repurchase of the shares at par value shall be included in the Company's premium account (or its capital reserve account).

(5) Any other requirements which are otherwise required by the laws, administrative regulations, regulatory requirements and relevant provisions of the securities regulatory authorities or stock exchange of the place where the Company's shares are listed in respect of financial issues involved in share repurchase shall be followed.

Right to Own the Shares of the Company by Any of Its Subsidiaries

No provision in the Articles of Association prohibits any subsidiary from holding the shares of the Company.

Dividends and Other Methods of Profit Distribution

The Company may distribute dividends in the following manner:

(1) cash;

(2) shares.

The Company's after-tax profits shall be distributed in the following order of priority:

(1) covering the losses in previous years;

(2) contributing 10% of the profits to the statutory reserve fund;

(3) contributing to its discretionary reserve fund;

(4) paying dividends to the shareholders.

No further contribution to the statutory reserve fund is required when the cumulative amount of the statutory reserve fund exceeds 50% of the Company's registered capital.

In the event that the statutory reserve fund of the Company is insufficient to make up the losses of the Company in the previous year, before allocating the statutory reserve fund in accordance with the stipulations of the previous paragraph, the Company shall first make up the losses by using the profits of the current year.

After allocating the statutory reserve fund from the after-tax profits of the Company, the Company can allocate the discretionary reserve fund according to the resolution of shareholders' general meeting. The after-tax profits after making up the losses of the Company and contribution to the reserves fund shall be distributed in accordance with the proportion of shares held by the shareholders according to the resolution of shareholders' general meeting.

The Company shall not distribute profits to the shareholders if it does not meet regulatory requirements on solvency.

Any distribution of the Company's profits by the shareholders' general meeting to any shareholders before making up its losses or contribution to its statutory reserves fund in violation of the preceding paragraph shall forthwith be returned to the Company.

The shares held by the Company shall not be distributed as dividends.

The Company shall appoint receiving agents on behalf of holders of the overseas listed foreign shares to receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of their overseas listed foreign shares. The receiving agents appointed on behalf of holders of the overseas listed foreign shares shall be in compliance with the laws of the place where the Company's shares are listed and satisfy the requirements of the stock exchanges of the place where the Company's shares are listed. The receiving agents appointed on behalf of holders of the overseas foreign shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Shareholder's Proxy

A shareholder may attend in person or delegate his proxies to attend a shareholder's general meeting. Any shareholder entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (who need not be shareholders) as his proxies to attend and vote on his behalf. Such proxy shall submit the proxy letter and may exercise the following rights within the scope of authorisation by the shareholder:

(1) The shareholder's right to speak at the shareholders' general meeting;

(2) The right to demand by himself or in conjunction with others to vote by poll;

(3) The right to vote by a show of hands or by poll, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights by poll.

The proxy letter issued by a shareholder to entrust his proxy to attend a shareholders' general meeting shall be signed by or on behalf of the shareholder by written instruments. Where the shareholder is a legal person, the instrument shall be sealed by the legal person or signed by its directors or duly authorised representatives.

The proxy letter shall contain the following contents:

(1) name of the APPOINTER and name of proxy;

(2) number of shares held by proxy on behalf of APPOINTER;

(3) proxy's voting right;

(4) instructions on each item to be discussed for each agenda of the shareholders' general meeting, stating whether the shareholder agrees to, objects to or abstains from voting the resolution respectively;

(5) instructions on which voting right shall be exercised if there is voting right on provisional resolutions to be incorporated into the agenda of the shareholders' general meeting;

(6) issuing date of the proxy letter and its effective period;

(7) signature (or seal) of the APPOINTER.

Any proxy form issued by the Board of the Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative or negative vote, or abstain from voting and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he thinks fit.

The proxy letter appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting within 24 hours prior to the time for holding the meeting or before 24 hours prior to the designated time for the voting. If such proxy letter is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the APPOINTER is a legal person, its legal representative or any person authorised by the resolutions of the Board or other governing body shall attend the shareholders' general meeting of the Company as the appointer's representative.

Where the APPOINTER has deceased, incapacitated to act, withdrawn the appointment or the power of attorney or where the relevant shares have been transferred prior to the voting, a vote given by the proxy in accordance with the power of attorney shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

Expropriation and Sale of Shares

For dividends that are not claimed by anyone, the Company may exercise the right of expropriation under the precondition of complying with the relevant laws, administrative regulations and regulatory requirements in China, but the right shall be exercised only after the expiration of the applicable period of the dividends.

The Company shall have the right to send dividend warrants to shareholders by mail directly or through the receiving agent. The Company shall have the right to terminate sending dividend warrants to shareholders by mail after a dividend warrant fails to be redeemed for two consecutive occasions. However, the Company can exercise the right after the first occasion on when such a dividend warrant is returned undelivered.

The Company shall have the right to sell the shares of shareholders of overseas listed shares who are untraceable in a way deemed appropriate by the Board, provided the following conditions are met:

(1) the Company has distributed dividends at least three times to such shares within 12 years, and the dividends are not claimed by anyone during the period;

(2) the Company publishes announcement in one or more newspapers in the place where the shares of the Company are listed after the expiration of the 12-year period, stating its intention to sell the shares, and informs the stock exchange on which the shares of the Company are listed.

Right of Shareholders

Holder of ordinary shares of the Company shall enjoy the following rights:

(1) to request, convene, preside over, participate in, or assign a proxy to participate in, the shareholder's general meeting according to the law, and exercise the corresponding voting right according to the number of shares held;

(2) the shareholders holding 5% or more of the voting right shares are entitled to nominate directors or supervisors;

(3) to obtain relevant information in accordance with the provisions of the Articles of Association, including:

1. The right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; and

2. The right to inspect free of charge and copy, subject to payment of a reasonable fee, the following:

   (a) All parts of the register of members;

   (b) Personal particulars of each of the Company's directors, supervisors, president and other senior management officers;

   (c) The state of the Company's share capital;

   (d) The report showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the previous accounting year and the total expenses incurred by the Company for this purpose;

   (e) Minutes of shareholders' general meetings;

   (f) Financial reports.

3. Check the counterfoil of the corporate bonds; resolutions of the meetings of the Board and the Board of Supervisors;

The Company may refuse any inspecting or copying request which involves trade secrets and sensitive information regarding the price of the Company's shares:

(4) to receive the dividend and other forms of interest distribution according to the number of shares they hold;

(5) to participate in the distribution of remaining assets of the Company in accordance with the number of shares held in the event of the termination or liquidation of the Company;

(6) to request the Company to purchase the shares of the shareholder who raises objection to the resolution on merger or division made at the shareholders' general meeting, and

(7) to understand the Company's operating conditions and financial conditions;

(8) to supervise, advise or raise inquiries on the operation of the Company;

(9) to transfer or pledge the shares they hold according to the laws, administrative regulations, regulatory requirements and the Articles of Association;

(10) to request the recording and change of the register of members;

(11) Other rights conferred by laws, administrative regulations, regulatory requirements and the Articles of Association.

If any person holding interest directly or indirectly exercises his right based on the shares of the Company without revealing this right to the Company, the Company shall not compromise such person's right based on the shares of the Company by freezing it or in any other ways.

Procedures of Liquidation

The Company shall be dissolved and liquidated pursuant to laws upon occurrence of any one of the following circumstances:

(1) dissolution by resolution of the shareholders' general meeting;

(2) dissolution due to merger or division of the Company;

(3) the Company is declared to be bankrupt in accordance with the laws due to inability to repay debts due;

(4) the Company is ordered to close by sanction in accordance with the laws due to violation of laws, administrative regulations and regulatory requirements.

The dissolution of the Company shall be approved by the CIRC. A liquidation committee shall be formed after dissolution to carry out the liquidation of the Company. The liquidation work shall be supervised by the CIRC.

The functions and power of the Board of the Company shall be immediately terminated after the resolution on dissolution is passed at the shareholders' general meeting.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the liquidation team's receipts and payments, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

Other Provisions Material to the Company and our Shareholders

The Company is a joint stock limited company in perpetual existence.

The Articles of Association shall be the highest code of conduct by which the Company and its shareholders, Directors, Supervisors, president and senior management officers shall abide when dealing with Company matters. The Articles of Association shall be a legally binding document that regulates the organisation and acts of the Company as well as the rights and obligations between the Company and the shareholders and among the shareholders from the date on which it becomes effective. The Articles of Association shall be binding upon the Company and its shareholders, Directors, Supervisors, president and senior management officers. All the above persons may make claims about the rights and obligations related to Company matters in accordance with the Articles of Association.

The Company may invest in other limited liability companies and joint stock limited companies, to which the Company shall be liable to the extent of the amount of its capital contribution.

Increase of Registered Capital

The Company may, based on its requirements for operation and development and in accordance with laws, administrative regulations and regulatory requirements, increase its capital in the following ways after obtaining consent in shareholders' meeting and approval from the relevant regulatory authorities:

(1) non-public offering of shares;

(2) public offering of shares;

(3) placing shares to its existing shareholders;

(4) distributing bonus shares to its existing shareholders;

(5) converting capital reserve to the share capital; and

(6) any other way as permitted by laws, administrative regulations and relevant regulatory authorities.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted pursuant to the procedures stipulated in the laws, administrative regulations and regulatory requirements.

Reduction of Share Capital

In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital. The Company's reduction of registered capital shall be conducted in accordance with the Company Law, the Insurance Law and other relevant laws, administrative regulations and regulatory requirements as well as the Articles of Association.

When the Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days of the date of the Company's resolution for reduction of share capital and shall publish at least three notices in a newspaper within 30 days of the date of such resolution. A creditor has the right within 30 days of receiving the notice or, in the case of a creditor who does not receive the notice, within 45 days of the date of the first public notice, to demand the Company to repay its debts or provide a corresponding guarantee for such debt.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Board Secretary

The Company shall have a Board secretary, who shall be nominated by the chairman of the Board and approved by the Board for his/her engagement. The Board secretary shall be accountable to the Board and is a senior management officer of the Company. The Board secretary shall be a natural person who has the requisite professional knowledge and experience. The appointment of the Board secretary shall be subject to the approval by the CIRC.

The main duties of the Board secretary are:

(1) preparing and submitting the reports and documents of Board meetings and shareholders' general meetings as required by relevant authorities;

(2) assisting the Directors in handling the daily work of the Board, providing the Directors with or reminding them of and ensuring they understand the regulations, policies and requirements of the relevant regulatory authorities relating to the Company's operation; assisting the shareholders, Directors, Supervisors and president to comply with the laws, administrative regulations, regulatory requirements, the Articles of Association and other relevant provisions in exercising their rights and duties;

(3) reminding the Company to comply with the relevant laws, administrative regulations and regulatory requirements;

(4) ensuring the completeness of the Company's organisational documents and records; being responsible for organising and preparing documents of the shareholders' general meetings and Board meetings, to ensure decisions made at such meetings are in compliance with legal procedures, and is aware of the execution of the resolution by the Board; being responsible for maintaining minutes, documents and records of the shareholders' general meetings and Board meetings;

(5) ensuring the duly maintenance of the register of members; ensuring those persons entitled to obtain the relevant minutes and documents of the Company could obtain them in a timely manner;

(6) being responsible for matters related to the Company's information disclosure;

(7) handling the Company's relation with the regulatory authorities, investors, intermediary agencies and the media, and coordinating public relations of the Company;

(8) assisting the chairman of the Company in preparing the corporate governance report;

(9) other duties conferred by laws, administrative regulations, regulatory requirements and the Board.

President

The Company shall have a general manager (president), who shall be nominated by the chairman of the Board and has a term of office of three years.

The president shall be accountable to the Board and shall exercise the following function and powers:

(1) leading the operation and management of the Company and organising the implementation of the resolutions of the Board;

(2) submitting the annual operation and investment plans of the Company representing the senior management officers to the Board and implementing such plans after the Board approves;

(3) preparing plans for the establishment of the Company's internal management structure, and reporting it to the Board for approval;

(4) preparing basic management system of the Company, and reporting it to the Board for approval;

(5) formulating the basic rules and regulations of the Company;

(6) proposing to the Board on the appointment or removal of vice president and other senior management officers (excluding the Board secretary);

(7) deciding on the appointment or removal of management officers other than those who shall be appointed or removed by the Board, and determining the remuneration and relevant rewards and punishment arrangements;

(8) conducting or delegating senior management officers (excluding the Board secretary) and heads from the internal institutional sectors and our branches to conduct daily operation and management activities within the scope of the authorisation of the Board;

(9) in the event of unexpected major events or other emergencies, to take immediate actions in the interest of the Company and report immediately thereafter to the CIRC, the Board and Board of Supervisors;

(10) exercising other powers specified under laws, administrative regulations, regulatory requirements and the Articles of Association and other powers resolved to be exercised by the president at the Board meetings and shareholders' general meetings.

In the event that the president is unable or fails to perform his/her duties, the director, vice president or other senior management officer designated by the Board shall perform his/her functions and powers on his/her behalf.

Board of Supervisors

The Company shall have a Board of Supervisors. The Directors and senior management officers shall not act concurrently as Supervisors. The Board of Supervisors shall be composed of five Supervisors, two of which shall be Supervisors who are representatives of the employees.

The Board of Supervisors shall have one chairman, who shall be elected or removed by the votes of two thirds or more of the members of the Board of Supervisors. The appointment of the chairman of the Board of Supervisors shall be subject to the approval by the CIRC, and the term of office shall commence from the date on which he/she has been elected as the chairman by Board of Supervisors or the date on which his/her appointment has been approved by the CIRC (whichever is later). The term of office of the chairman shall be the same as the Board of Supervisors, and the chairman may serve consecutive terms if re-elected.

The Board of Supervisors shall exercise the following powers:

(1) reporting its work to the shareholders' general meeting;

(2) monitoring and examining the Company's financials;

(3) supervising the conduct of the Directors and senior management officers in their performance of duties and proposing the removal of Directors and senior management officers who have contravened any law, administrative regulations, regulatory requirements, the Articles of Association or resolutions of the shareholders' general meeting;

(4) demanding rectification from a Director or any senior management officers when the acts of such persons are harmful to the Company's interest;

(5) proposing to convene an extraordinary shareholders' general meeting and convening and presiding over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting;

(6) proposing resolutions at the shareholders' general meeting;

(7) representing the Company in negotiations with a director and bring an action against a Director or senior management officer pursuant to the Company Law and the Articles of Association;

(8) formulating the procedural rules of the Board of Supervisors and the working rules for specialised committees under the Board of Supervisors;

(9) reviewing financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board to the shareholders' general meeting; if there is any doubt, to engage certified public accountants and practicing auditors in the name of the Company to assist their review;

(10) exercising other duties specified under laws, administrative regulations, regulatory requirements or the Articles of Association and by shareholders' general meetings.

Board

The Board shall be accountable to the shareholders' general meeting and exercises the following powers according to law:

The Board shall exercise the following function and powers by laws:

(1) convening shareholders' general meetings and reporting its work to the shareholders' general meeting;

(2) implementing the resolutions of the shareholders' general meetings;

(3) determining the operation plans and investment plans of the Company;

(4) formulating the development strategies of the Company;

(5) formulating the annual financial budget and final accounts of the Company;

(6) formulating the profit distribution plan and loss recovery plan of the Company;

(7) formulating proposals for increases or reductions of our registered capital and the issuance of corporate bonds, shares, warrants or other securities by the Company or the listing of the Company;

(8) formulating plans for the repurchase of shares of the Company or merger, division, dissolution and changes of the form of the Company;

(9) formulating proposals for any amendment to the Articles of Association;

(10) formulating the procedural rules of the shareholders' general meetings and Board meetings and the working rules for specialised committees under the Board;

(11) formulating the basic management system of the Company;

(12) deciding on the establishment of internal management departments, branches and subsidiaries of the Company and deciding on the establishment of legal entities within the scope of the authorisation of the shareholders' general meeting;

(13) regularly evaluating and improving the corporate governance of the Company;

(14) appointing or removing senior management officers of the Company, and implementing reviews as well as determining remuneration and relevant rewards and punishment arrangements with respect to such personnel; appointing or removing members of each specialised committees under the Board;

(15) reviewing and deciding on evaluation plans for the results of operation of our major subsidiaries;

(16) reviewing annual financial reports and major disclosure of information of the Company;

(17) submitting to the shareholders' general meeting on the appointment or removal of an accounting firm which shall conduct regular statutory audit on the financial reports of the Company;

(18) considering and approving, or authorising the related transactions control committee under the Board to approve, related transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws;

(19) considering and approving the Company's matters such as the investment, purchases of assets, disposal and writing off of assets, external guarantees and external donations within the scope of the authorisation of the shareholders' general meeting;

(20) exercising such other functions and powers as granted by laws, administrative regulations, regulatory requirements or the Articles of Association and as empowered by the shareholders' general meeting.

Resolutions of the Board shall be approved and adopted by more than one-half of all Directors. For the following matters, the resolutions shall be approved and adopted by two-thirds or more of all Directors:

(1) formulating our profit distribution plan and loss recovery plan;

(2) formulating our annual budget and final accounts;

(3) formulating plans for increase or reduction of our registered capital;

(4) formulating plans for merger, division, dissolution and changes of the form of the Company;

(5) formulating plans for issuance of bonds, shares, warrants or other marketable securities by the Company and listing of the Company;

(6) formulating plans for share repurchase plans of the Company;

(7) formulate amendments to the Articles of Association;

(8) appointing or removing senior management officers of the Company and determining the remuneration and relevant rewards and punishment arrangements of the senior management officers of the Company; appointing or removing members of each specialised committee under the Board;

(9) the Company's matters such as the Company's establishment of legal entities, investment, purchases of assets, disposal and writing off of assets, external donations and external guarantees;

(10) appointment, removal and non-reappointment of an accounting firm which shall conduct regular statutory audit on the financial reports of the Company;

(11) other matters that shall be passed by special resolutions as required by more than half of all Directors;

(12) other matters which shall be passed by two-thirds or more of the Directors as provided for by laws, administrative regulations, regulatory requirements and the Articles of Association.

Meetings of the Board comprise regular meetings and interim meetings. Regular meetings shall be held at least four times every year. Each Director shall have one vote when voting on resolutions of the Board meeting. Notice of a regular meeting shall be served on all the Directors and Supervisors 15 days before the date of meeting. Notice of an interim meeting shall be served on all the Directors and Supervisors seven days before the date of meeting. When calculating the period of notice, the Company shall exclude the date of the meeting. In the event of an emergency, the convening of an interim meeting is not subject to the above time limit of notification and a reasonable notice for the meeting shall be given thereafter.

Accounts and Audit

Appointment of an accounting firm

The Company shall appoint an independent firm of accountants which is qualified under the relevant PRC regulations to audit the Company's annual financial reports and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the meeting of inauguration before the first annual general meeting, and its term of office shall be terminated at the end of the first annual general meeting.

Regardless of what is stipulated in the contract concluded between an accounting firm and the Company, the shareholders' general meeting may, before the expiration of term of office for the accounting firm, decide to dismiss that firm through the adoption of an ordinary resolution. If such accounting firm has the right to claim compensation from the Company for reason of such dismissal, that right shall not be affected.

The appointment of an accounting firm by the Company and its remuneration shall be determined by the shareholders' general meeting. In the event of a vacancy in the accounting firm during the adjournment of general meeting, the Board may appoint an accounting firm to fill such vacancy and determine its remuneration, but shall be confirmed by the next shareholders' general meeting. Such accounting firms may continue to act during the vacancy period if the Company has other incumbent accounting firms.

Change and dismissal of an accounting firm

The Company's appointment, dismissal and non-reappointment of an accounting firm shall be resolved by shareholders' general meeting and be filed with the securities regulatory authority under the State Council.

The shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm which is not currently serving the Company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the Board to fill the vacancy, or the dismissal of an accounting firm before the expiry of its term:

(1) the proposal in relation to the appointment or dismissal shall be sent prior to the issue of notice of shareholders' general meeting to the accounting firm to be appointed, the accounting firm which is about to leave or the accounting firm which has left its post during the accounting year.

An accounting firm leaving its post includes dismissal, resignation and retirement.

(2) in the event that an accounting firm leaving its post makes a statement in writing and requests the Company to inform shareholders of such statement, unless the Company receives the statement too late, the Company shall adopt the following measures:

1. state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement;

2. submit the copy of the statement as an appendix to the notice to the shareholders in the manner stipulated in the Articles of Association;

(3) in the event that the statement of the accounting firm has not been despatched in accordance with the provisions in the preceding sub-paragraph (2), the relevant accounting firm may request such statement to be read at the shareholders' general meeting, and may make further appeals;

(4) the accounting firm leaving its post shall be entitled to attend the following meetings:

1. the shareholders' general meeting at which its term of service would otherwise have expired;

2. the shareholders' general meeting for filling the vacancy caused by its dismissal;

3. the shareholders' general meeting convened as a result of its voluntary resignation.

The accounting firm leaving its post shall be entitled to obtain all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the aforementioned meetings on matters in relation to its previous engagement as the accounting firm of the Company.

Resignation of an accounting firm

Prior to the removal or the non-reappointment of the accounting firm, notice of such removal or non-renewal shall be given 15 days in advance to the accounting firm and such firm shall be entitled to make representation at the shareholders' general meeting. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

Any accounting firm may resign its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any relevant situations.

The Company shall send a copy to the relevant governing authority within 14 days after receiving the notice. If the notice contains a statement under sub-paragraph (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent by mail, postage prepaid, to every shareholder holding overseas listed shares of the Company at the address as recorded in the register of members.

Where the accounting firm's notice of resignation contains a statement of any circumstances, the accounting firm may require the Board to convene an extraordinary shareholders' general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Dispute Resolution

Whenever any disputes or claims arise between holders of the overseas listed shares and the Company, holders of the overseas listed shares and the Company's Directors, Supervisors, president or senior management officers, holders of the overseas listed shares and holders of domestic shares, based on any rights or obligations required by the Articles of Association, the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims of rights shall be referred by the relevant parties to arbitration. If such disputes or claims of rights are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

Where a dispute or claim of rights mentioned above is referred to arbitration, it should cover all the claims of rights or the overall dispute. Any person who has a cause of action resulting from the same issue or whose participation is necessary for the resolution of such dispute or claim of rights, if such person is the Company or its shareholder, Director, Supervisor, president or senior management officer, such person shall abide by the arbitration.

Disputes in relation to the definition of shareholders and share registers need not be referred to arbitration.

A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or a claim of rights to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party may apply for a hearing to take place in Shenzhen in accordance with the requirements of the securities arbitration rules of the Hong Kong International Arbitration Centre.

The award of an arbitration body shall be conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment

PICC Reinsurance Company Limited, the predecessor of the Company, was established on 22 August 1996. In March 1999, with the approval of the State Council and of the CIRC, PICC Reinsurance Company Limited was renamed as China Reinsurance Company. In June 2003, with the approval of the CIRC, China Reinsurance Company was renamed as China Reinsurance (Group) Company. In October 2007, with the approval of the State Council and of MOF and the CIRC, China Reinsurance (Group) Company was converted into a joint stock limited company in the PRC under the PRC Company Law. Our registered address is at No. 11 Financial Street, Xicheng District, Beijing 100033, China. We have registered a place of business in Hong Kong at Room 2428, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Zhou Chao has been appointed as the authorised representative of the Company for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As the Company was established in the PRC, we are subject to the relevant laws, rules and regulations of the PRC. A summary of certain relevant PRC laws and principal regulatory provisions is set out in Appendix VI. A summary of the relevant provisions of our Articles of Association is set out in Appendix VII.

2. Changes in registered capital of our Group

The Company

As at the Latest Practicable Date, the registered capital of the Company was RMB36,407,611,085 divided into 36,407,611,085 Shares of par value of RMB1.00 each, all of which were credited as fully paid up and were held by the Company's promoters as follows:

Name	Number of Shares held	Percentage of Shareholding
MOF	5,494,172,897	15.09%
Central Huijin	30,913,438,188	84.91%

The changes in the Company's registered capital since its establishment are as follows:

1. At the time of its establishment in August 1996, the registered capital of the Company Limited was RMB2,000,000,000.

2. In 2003, the capital of the Company increased twice. As at August 2003, the registered capital of the Company increased to RMB3,400,000,000.

3. In January 2004, the registered capital of the Company increased to RMB3,900,000,000.

4. In October 2007, the registered capital of our Company increased to RMB36,149,803,900.

5. In April 2012, the registered capital of our Company increased to RMB36,407,611,085.

6. Immediately following completion of the Global Offering,

   (i) assuming that the Over-allotment Option has not been exercised, the registered capital of the Company will be RMB42,177,501,085; and

   (ii) assuming that the Over-allotment Option has been fully exercised, the registered capital of the Company will be RMB43,042,981,085.

7. Save as disclosed in this Appendix, there has been no alteration in the Company's registered capital since the establishment of the Company.

Our subsidiaries

The following alterations in the share capital (or registered capital, as the case might be) of our subsidiaries have taken place within two years preceding the date of this prospectus:

1. **China Re P&C**

The registered capital of China Re P&C increased from RMB853,225,000 to RMB9,532,250,000 on 21 February 2014 and from RMB9,532,250,000 to RMB10,032,250,000 on 9 February 2015.

2. **China Re Life**

The registered capital of China Re Life increased from RMB5,720,000,000 to RMB6,720,000,000 on 20 June 2013.

3. **China Continent Insurance**

The registered capital of China Continent Insurance increased from RMB6,429,984,100 to RMB7,302,077,123 on 16 January 2015.

4. **China Reinsurance AMC**

The registered capital of China Re AMC increased from RMB200,000,000 to RMB500,000,000 on 27 May 2014.

5. **Huatai Insurance Agency**

The registered capital of Huatai Insurance Agency increased from RMB40,000,000 to RMB50,000,000 on 10 December 2013.

Save as disclosed above, there has been no other alteration in the share capitals of the subsidiaries of the Company in the two years preceding the date of this prospectus.

3. **Resolutions of our Shareholders and our Board**

Pursuant to the resolutions passed at the meeting of our Shareholders held on 28 May 2015:

1. the listing plan of the Company was approved, including, among other things,

   - listing on the Hong Kong Stock Exchange through an initial public offering of H Shares;

   - as part of the International Offering, there will be an offering of H Shares in the United States to Qualified Institutional Buyers (as such term is defined in Rule 144A under the U.S. Securities Act) and outside of the United State in reliance on Regulation S of the U.S. Securities Act and a public offering without listing in Japan (if applicable); and

2. the Board of Directors was authorised to draft, amend, sign and submit the applications, relevant reports or documents relating to the proposed listing of H Shares to the relevant authorities in the PRC and the Hong Kong Stock Exchange and to deal with all approvals, registrations, filings and other formalities as may be required; and

3. the Chairman of the Board of Directors was authorised, among other things, to do any acts and things relating to the issue and listing of the H Shares on the Hong Kong Stock Exchange.

Pursuant to the resolution passed at the meeting of our Shareholders held on 26 June 2015, amendments to the Articles of Association which shall become effective on the Listing Date were approved.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

1. a cornerstone investment agreement dated 9 October 2015, entered between Great Wall Pan Asia International Investment Co., Ltd., The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited and the Company, pursuant to which Great Wall Pan Asia International Investment Co., Ltd. agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$150 million;

2. a cornerstone investment agreement dated 9 October 2015, entered between State Grid Yingda International Holdings Corporation Ltd, Deutsche Bank AG, Hong Kong Branch and the Company, pursuant to which State Grid Yingda International Holdings Corporation Ltd agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$150 million;

3. a cornerstone investment agreement dated 9 October 2015, entered between China Development Bank International Holdings Limited, China International Capital Corporation Hong Kong Securities Limited, CCB International Capital Limited and the Company, pursuant to which China Development Bank International Holdings Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$80 million;

4. a cornerstone investment agreement dated 9 October 2015, entered between Zhuhai Hengqin Guokai Jin Yuan Investment L.P., UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Zhuhai Hengqin Guokai Jin Yuan Investment L.P. agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$30 million;

5. a cornerstone investment agreement dated 7 September 2015, entered between CGN Investment (HK) Co., Limited, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which CGN Investment (HK) Co., Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$100 million;

6. a cornerstone investment agreement dated 9 October 2015, entered between Zhongxinjian Merchant Equity Investment Co., Ltd, Deutsche Bank AG, Hong Kong Branch and the Company, pursuant to which Zhongxinjian Merchant Equity Investment Co., Ltd agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$100 million;

7. a cornerstone investment agreement dated 9 October 2015, entered between Three Gorges Finance (HK) Limited, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which Three Gorges Finance (HK) Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$100 million;

8. a cornerstone investment agreement dated 9 October 2015, entered between Beijing Infrastructure Investment (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which Beijing Infrastructure Investment (Hong Kong) Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$80 million;

9. a cornerstone investment agreement dated 9 October 2015, entered between The People's Insurance Company (Group) of China Limited, The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited and the Company, pursuant to which The People's Insurance Company (Group) of China Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

10. a cornerstone investment agreement dated 9 October 2015, entered between China Life Insurance Company Limited, China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited and the Company, pursuant to which China Life Insurance Company Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

11. a cornerstone investment agreement dated 9 October 2015, entered between Zhongchuan Investment & Development Co., Ltd, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which Zhongchuan Investment & Development Co., Ltd agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

12. a cornerstone investment agreement dated 9 October 2015, entered between Value Partners Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, HSBC Corporate Finance (Hong Kong) Limited and the Company, pursuant to which Value Partners Hong Kong Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

13. a cornerstone investment agreement dated 9 October 2015, entered between Yi Fang Da Elite Inv. Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Yi Fang Da Elite Inv. Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

14. a cornerstone investment agreement dated 9 October 2015, entered between Dongfeng Asset Management Co. Ltd., Morgan Stanley Asia Limited and the Company, pursuant to which Dongfeng Asset Management Co. Ltd. agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$30 million;

15. a cornerstone investment agreement dated 9 October 2015, entered between The Prudential Insurance Company of America, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which The Prudential Insurance Company of America agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$30 million;

16. a cornerstone investment agreement dated 9 October 2015, entered between Estate Summer Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Capital Limited (工銀國際融資有限公司) and the Company, pursuant to which Estate Summer Limited agreed to subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US$20 million;

17. the Hong Kong Underwriting Agreement dated 11 October 2015, entered into between the Company, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, HSBC Corporate Finance (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and the Hong Kong Underwriters, further details of which are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement."

2. Intellectual property rights

As at the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

(a) *Trademarks*

1. As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group's business:

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	South Africa	The Company	2008/02409	36	4 February 2008	4 February 2018

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	Switzerland	The Company	571424	36	4 February 2008	4 February 2018
CHINA RE	New Zealand	The Company	783696	36	4 February 2008	4 February 2018
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	Hong Kong	The Company	301046763	36	5 February 2008	4 February 2018
中再集团	Hong Kong	The Company	301046781	36	5 February 2008	4 February 2018
CHINA RE	Hong Kong	The Company	301046754	36	5 February 2008	4 February 2018
CHINA RE	India	The Company	1650278	36	5 February 2008	5 February 2018
CHINA RE	Russia	The Company	394634	36	6 February 2008	6 February 2018
CHINA RE	Mexico	The Company	1048202	36	11 February 2008	11 February 2018
CHINA RE	Egypt	The Company	213559	36	27 February 2008	27 February 2018
中再集团	Malaysia	The Company	08003601	36	27 February 2008	27 February 2018
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	Malaysia	The Company	08003600	36	27 February 2008	27 February 2018
CHINA RE	Saudi Arabia	The Company	1108/11	36	9 March 2008	16 November 2017

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	Sudan	The Company	38744	36	9 March 2008	9 March 2018
CHINA RE	Kuwait	The Company	75269	36	10 March 2008	9 March 2018
CHINA RE	North Korea	The Company	36818	36	12 March 2008	12 March 2018
CHINA RE	Thailand	The Company	Bor43625	36	21 March 2008	20 March 2018
中再集团	Thailand	The Company	Bor43626	36	21 March 2008	20 March 2018
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	Thailand	The Company	Bor43627	36	21 March 2008	20 March 2018
CHINA RE	The United Arab Emirates	The Company	147191	36	14 April 2008	14 April 2018
CHINA RE	Taiwan	The Company	01333808	36	16 October 2008	15 October 2018
中再集团	Taiwan	The Company	01333809	36	16 October 2008	15 October 2018
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	Taiwan	The Company	01333810	36	16 October 2008	15 October 2018
CHINA RE	Argentina	The Company	2276548	36	10 March 2009	10 March 2019
CHINA RE	Canada	The Company	TMA744942	36	7 August 2009	7 August 2024

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	Brazil	The Company	829509879	36	20 July 2010	20 July 2020
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	Australia, Korea, Japan, Singapore (registered via the Madrid International Trademark System)	The Company	973678	36	7 April 2008	7 April 2018
CHINA RE	The European Union, Norway, Zambia (Classes 9,16,36) Iceland, Australia, Korea, Japan, Singapore, U.S., Turkey, Turkmenistan (Class 36 only) (registered via the Madrid International Trademark System)	The Company	976251	9, 16, 36	12 June 2008	12 June 2018
中再集团	Australia, Korea, Japan, Singapore (registered via the Madrid International Trademark System)	The Company	971149	36	12 June 2008	12 June 2018

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	PRC	The Company	6542778	9	28 January 2011	27 January 2021
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542783	36	14 May 2010	13 May 2020
	PRC	The Company	6542780	9	7 April 2010	6 April 2020
中再集团	PRC	The Company	3926904	36	7 October 2006	6 October 2016
	PRC	The Company	6246501	36	28 March 2010	27 March 2020
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542786	9	21 August 2011	20 August 2021
	PRC	The Company	6542779	42	21 June 2012	20 June 2022
CHINA RE	PRC	The Company	6542777	16	21 January 2011	20 January 2012
CHINA RE	PRC	The Company	6542775	36	28 February 2012	27 February 2022

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
CHINA RE	PRC	The Company	6542773	42	21 January 2011	20 January 2021
中再集团	PRC	The Company	6542789	36	14 May 2010	13 May 2020
中再集团	PRC	The Company	6542790	35	21 February 2011	20 February 2021
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542781	42	14 June 2012	13 June 2022
	PRC	The Company	1397830	36	14 May 2010	13 May 2020
中国再保险	PRC	The Company	3926905	36	28 February 2009	27 February 2019
CHINA RE	PRC	The Company	6542776	35	21 January 2011	20 January 2021
	PRC	The Company	6246500	41	14 December 2011	13 December 2021
	PRC	The Company	6246499	16	21 January 2011	20 January 2021
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542784	35	21 January 2011	20 January 2021
中再集团	PRC	The Company	6542788	41	14 June 2012	13 June 2022

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
中再集团	PRC	The Company	6542772	9	7 April 2010	6 April 2020
中再集团	PRC	The Company	6542771	16	14 September 2011	13 September 2021
中再集团	PRC	The Company	3926901	36	7 October 2006	6 October 2016
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542782	41	14 June 2012	13 June 2022
中国再保险(集团)股份有限公司 CHINA REINSURANCE (GROUP) CORPORATION	PRC	The Company	6542785	16	14 September 2011	13 September 2021
中再集团	PRC	The Company	6542787	42	21 February 2011	20 February 2021
CHINA RE	PRC	The Company	6542774	41	21 January 2011	20 January 2021
中国再保险(集团)公司 China Reinsurance (Group) Company	PRC	The Company	3926900	36	7 October 2006	6 October 2016
中国再保险集团	PRC	The Company	4093850	36	7 April 2009	6 April 2019
中国人寿再保险股份有限公司	PRC	China Re Life	4239115	36	21 April 2008	20 April 2018
翼保障	PRC	Huatai Insurance Agency Nanjing Branch	11359201	38	14 January 2014	13 January 2024
翼保障	PRC	Huatai Insurance Agency Nanjing Branch	11359203	36	14 January 2014	13 January 2024

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
翼宝宝	PRC	Huatai Insurance Agency Nanjing Branch	11359205	37	14 January 2014	13 January 2024
翼保障	PRC	Huatai Insurance Agency Nanjing Branch	11359202	37	14 January 2014	13 January 2024
翼保保	PRC	Huatai Insurance Agency Nanjing Branch	11359204	37	14 January 2014	13 January 2024
95590	PRC	China Continent Insurance	13895287	38	14 April 2015	13 April 2025
e行大地	PRC	China Continent Insurance	13895276	38	14 April 2015	13 April 2025
交通无忧e卡 e行大地	PRC	China Continent Insurance	13895110	36	14 March 2015	13 March 2025
境外精选型 旅行无忧e卡	PRC	China Continent Insurance	13895019	36	14 March 2015	13 March 2025
家财无忧 e行大地	PRC	China Continent Insurance	13894700	35	7 March 2015	6 March 2025
95590	PRC	China Continent Insurance	13895191	36	14 April 2015	13 April 2025
家财无忧 e行大地	PRC	China Continent Insurance	13895094	36	14 April 2015	13 April 2025
无忧三代 e行大地	PRC	China Continent Insurance	13895059	36	21 April 2015	20 April 2025

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
	PRC	China Continent Insurance	13895388	16	21 February 2015	20 February 2025
大地六心服务	PRC	China Continent Insurance	13894873	35	7 March 2015	6 March 2025
	PRC	China Continent Insurance	13894645	35	7 March 2015	6 March 2025
	PRC	China Continent Insurance	13895517	42	14 March 2015	13 March 2025
	PRC	China Continent Insurance	13895423	39	14 March 2015	13 March 2025
	PRC	China Continent Insurance	13895131	36	14 March 2015	13 March 2025
	PRC	China Continent Insurance	13894962	36	21 April 2015	20 April 2025
	PRC	China Continent Insurance	13895035	36	14 March 2015	13 March 2025
	PRC	China Continent Insurance	13895003	36	14 April 2015	13 April 2025
	PRC	China Continent Insurance	13895486	41	14 April 2015	13 April 2025
	PRC	China Continent Insurance	13895175	36	14 March 2015	13 March 2025
	PRC	China Continent Insurance	13894937	36	21 April 2015	20 April 2025
	PRC	China Continent Insurance	13894842	35	21 March 2015	20 March 2025

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
交通无忧e卡 e行大地	PRC	China Continent Insurance	13894725	35	7 March 2015	6 March 2025
家居无忧 e行大地	PRC	China Continent Insurance	13894680	35	7 March 2015	6 March 2025
境内畅游型 旅行无忧e卡	PRC	China Continent Insurance	13894480	35	7 March 2015	6 March 2025
爱家无忧e卡 e行大地	PRC	China Continent Insurance	13895150	36	21 April 2015	20 April 2025
四季无忧e卡 e行大地	PRC	China Continent Insurance	13894739	35	21 May 2015	20 May 2025
境内畅游型 旅行无忧e卡	PRC	China Continent Insurance	13894454	35	21 May 2015	20 May 2025
家政无忧 e行大地	PRC	China Continent Insurance	13894625	35	21 May 2015	20 May 2025
境外精选型 旅行无忧e卡	PRC	China Continent Insurance	13894591	35	21 May 2015	20 May 2025
爱家无忧e卡 e行大地	PRC	China Continent Insurance	13894773	35	21 May 2015	20 May 2025
e行大地	PRC	China Continent Insurance	13894831	35	21 May 2015	20 May 2025
境外无忧型 旅行无忧e卡	PRC	China Continent Insurance	13894511	35	21 May 2015	20 May 2025
大 地	PRC	China Continent Insurance	13694477A	36	28 May 2015	27 May 2025

Trademark pattern	Territory of registration	Proprietor	Registration number	Class	Effective date	Expiry date
家居无忧 e行大地	PRC	China Continent Insurance	13895073	36	14 July 2015	13 July 2025
e行大地	PRC	China Continent Insurance	13895329	9	14 July 2015	13 July 2025

2. As at the Latest Practicable Date, our Group has applied for registration of the following trademarks:

Trademark pattern	Territory of registration	Proprietor	Registration number	Class
4009666666.com 大地保险商城	PRC	China Continent Insurance	13895162	36
大 地	PRC	China Continent Insurance	13694477	36
4009666666.com 大地保险商城	PRC	China Continent Insurance	13894810	35
大地通宝	PRC	China Continent Insurance	16476737	9
大地通宝	PRC	China Continent Insurance	16476738	35
大地通宝	PRC	China Continent Insurance	16476740	37
大地通宝	PRC	China Continent Insurance	16476739	36
大地通宝	PRC	China Continent Insurance	16476742	39
大地通宝	PRC	China Continent Insurance	16476741	38
大地通宝	PRC	China Continent Insurance	16476743	41

Trademark pattern	Territory of registration	Proprietor	Registration number	Class
大地通保	PRC	China Continent Insurance	16476745	9
大地通保	PRC	China Continent Insurance	16476747	36
大地通宝	PRC	China Continent Insurance	16476744	42
大地通保	PRC	China Continent Insurance	16476746	35
大地通保	PRC	China Continent Insurance	16476750	39
大地通保	PRC	China Continent Insurance	16476749	37
大地通保	PRC	China Continent Insurance	16476748	38
大地通保	PRC	China Continent Insurance	16476751	41
大地通保	PRC	China Continent Insurance	16476752	42

(b) ***Domain Names***

As at the Latest Practicable Date, our Group has registered the following key domain names:

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	中再.公司	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中再.網絡	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中再.中國	2016/1/24	National top level domain name
China Reinsurance (Group) Corporation	中再集團.公司	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中再集團.網絡	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中再集團.中國	2016/1/24	National top level domain name
China Reinsurance (Group) Corporation	再保險.網絡	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中國再保險集團.中國	2016/1/24	National top level domain name
China Reinsurance (Group) Corporation	中國再保險集團.公司	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中國再保險集團.網絡	2016/8/21	National top level domain name
China Reinsurance (Group) Corporation	中再.com	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中再.net	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中國再保險集團.com	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中國再保險集團.net	2016/1/24	International top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	中國再保險.net	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中國再保險.com	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中再集團.com	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	中再集團.net	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	china-re.net	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	china-re.info	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.net	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	chinare.info	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.info	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.biz	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	china-re.biz	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	chinare.biz	2016/1/24	International top level domain name
China Reinsurance (Group) Corporation	fair2013.net	2015/11/9	International top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.cn	2016/1/25	National top level domain name
China Reinsurance (Group) Corporation	china-re.net.cn	2016/1/25	National top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	china-re.com.cn	2016/1/25	National top level domain name
China Reinsurance (Group) Corporation	china-re.cn	2016/1/25	National top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.net.cn	2016/1/25	National top level domain name
China Reinsurance (Group) Corporation	chinareinsurance.com.cn	2016/1/25	National top level domain name
China Reinsurance (Group) Corporation	fair2013.com.cn	2016/2/18	National top level domain name
China Reinsurance (Group) Corporation	chinare.com.cn	2019/4/19	National top level domain name
China Reinsurance (Group) Company	中再	2016/2/5	Common internet keyword
China Reinsurance (Group) Company	中再集團	2016/2/5	Common internet keyword
China Reinsurance (Group) Company	中國再保險集團	2016/1/5	Local generic word
China Reinsurance (Group) Corporation	中國再保險	2015/12/18	Local generic word
China Reinsurance (Group) Corporation	中再股份	2016/2/5	Common internet keyword
China Reinsurance (Group) Corporation	中再集團股份	2016/2/5	Common internet keyword
China Reinsurance (Group) Corporation	中國再保險集團股份	2016/2/5	Local generic word
China Reinsurance (Group) Corporation	中國再保險股份	2016/2/5	Local generic word
China Property & Casualty Reinsurance Corporation.........	cpcr.net	2016/2/9	ICANN international domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Property & Casualty Reinsurance Corporation	cpcr.net.cn	2016/2/9	CNNIC national domain name
China Property & Casualty Reinsurance Corporation	cpcr.cn	2016/2/9	CNNIC national domain name
China Property & Casualty Reinsurance Corporation	cpcr.com.cn	2016/2/9	CNNIC national domain name
China Reinsurance (Group) Corporation	chinareproperty.cn	2016/2/11	CNNIC national domain name
China Reinsurance (Group) Corporation	chinareproperty.com.cn	2016/2/11	CNNIC national domain name
China Reinsurance (Group) Corporation	chinareproperty.net.cn	2016/2/11	CNNIC national domain name
China Reinsurance (Group) Corporation	chinareproperty.com	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.net	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.org	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.mobi	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.biz	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.info	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.cc	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	ecarp.com.cn	2016/3/18	CNNIC national domain name
China Reinsurance (Group) Corporation	ecarp.cn	2016/3/18	CNNIC national domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	ecarp.org	2016/3/18	ICANN international domain name
China Reinsurance (Group) Corporation	chinareproperty.co	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	中再.cn	2016/1/24	CNNIC national domain name
China Reinsurance (Group) Corporation	中再集團.cn	2016/1/24	CNNIC national domain name
China Reinsurance (Group) Corporation	中國再保險集團.cn	2016/1/24	CNNIC national domain name
China Reinsurance (Group) Corporation	中國財產再保險.com	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	中國財產再保險.net	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	中國財產再保險.公司	2015/10/21	CNNIC national domain name
China Reinsurance (Group) Corporation	中國財產再保險.網絡	2015/10/21	CNNIC national domain name
China Reinsurance (Group) Corporation	中再產險.com	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	中再產險.net	2016/2/11	ICANN international domain name
China Reinsurance (Group) Corporation	中再產險.cn	2016/2/11	CNNIC national domain name
China Reinsurance (Group) Corporation	中再產險.中國	2016/2/11	CNNIC national domain name
China Reinsurance (Group) Corporation	中再產險.公司	2015/10/21	CNNIC national domain name
China Reinsurance (Group) Corporation	中再產險.網絡	2015/10/21	CNNIC national domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	中國人壽再保險	2015/10/22	Internet keyword (Local generic word)
China Reinsurance (Group) Corporation	中再壽險	2015/10/22	Internet keyword (Local generic word)
China Reinsurance (Group) Corporation	壽再	2015/10/22	Internet keyword (Local generic word)
China Reinsurance (Group) Corporation	壽險再保險	2015/10/22	Internet keyword (Local generic word)
China Reinsurance (Group) Corporation	中再壽	2015/10/22	Internet keyword (Local generic word)
China Reinsurance (Group) Corporation	中壽再	2015/10/24	Internet keyword (Local generic word)
China Life Reinsurance Corporation	中國人壽再保險公司	2016/4/6	Internet keyword (Local generic word)
China Life Reinsurance Corporation	人壽再保險	2016/4/6	Internet keyword (Local generic word)
China Life Reinsurance Corporation	chinaresre.com	2016/7/10	International top level domain name
China Life Reinsurance Corporation	chinarecm.com.cn	2016/3/6	National top level domain name
China Life Reinsurance Corporation	chinarecm.cn	2016/3/6	National top level domain name
China Life Reinsurance Corporation	chinarecm.com	2016/3/6	International top level domain name
China Life Reinsurance Corporation	chinareum.com	2016/9/21	International top level domain name
China Life Reinsurance Corporation	chinalifere.net	2016/8/15	International top level domain name
China Life Reinsurance Corporation	chinalifere.cn	2016/8/15	National top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	壽再.中國	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	壽再.網絡	2015/10/21	National top level domain name
China Reinsurance (Group) Corporation	中再壽險.公司	2015/10/16	National top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.中國	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.網絡	2015/10/16	National top level domain name
China Reinsurance (Group) Corporation	壽再.公司	2015/10/21	National top level domain name
China Reinsurance (Group) Corporation	中再壽險.中國	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	中再壽險.網絡	2015/10/16	National top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.公司	2015/10/22	National top level domain name
China Reinsurance (Group) Corporation	chinarelife.cn	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	chinare-life.cn	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	chinare-life.com.cn	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	壽再.com	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	壽再.net	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	壽再.cn	2016/2/11	National top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Reinsurance (Group) Corporation	中再壽險.com	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	中再壽險.net	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	中再壽險.cn	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.com	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.net	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	中國人壽再保險.cn	2016/2/11	National top level domain name
China Reinsurance (Group) Corporation	chinarelife.net	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	chinare-life.com	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	chinare-life.net	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	chinarelife.mobi	2016/2/11	International top level domain name
China Reinsurance (Group) Corporation	chinare-life.mobi	2016/2/11	International top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huatai-serv.com	2019/11/8	International top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huatai-serv.com.cn	2018/1/27	China's top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huatai-serv.cn	2018/1/27	China's top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huatai-serv.mobi	2018/1/27	International top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
Huatai Insurance Agency & Consultant Service Ltd.	huataimarine.com	2019/11/25	International top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huataimarine.com.cn	2019/11/25	China's top level domain name
Huatai Insurance Agency & Consultant Service Ltd.	huataimarine.cn	2019/11/25	China's top level domain name
Beijing Huatai Insurance Surveyors & Adjusters Co., Ltd.	htsurveyor.com	2024/7/28	International top level domain name
Beijing Huatai Insurance Surveyors & Adjusters Co., Ltd.	htsurveyor.com.cn	2025/7/28	China's top level domain name
Beijing Huatai Insurance Surveyors & Adjusters Co., Ltd.	htsurveyor.cn	2025/7/28	China's top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	95590.com.cn	2022/2/2	Top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	95590.cn	2022/2/2	Top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	ccic-net.com.cn	2022/10/16	Top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	大地保險.com	2023/1/16	Top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	大地財產保險.com	2023/1/16	Top level domain name
China Continent Property and Casualty Insurance Company Limited..................................	中國大地保險.com	2021/10/16	Top level domain name

Registrant	Domain Name Registered	Expiry date (YY/MM/DD)	Category
China Continent Property and Casualty Insurance Company Limited	中國大地財產保險.com	2023/1/6	Top level domain name
China Re Asset Management Company Limited	中再資產.cn	2024/3/4	Domain name in Chinese
China Re Asset Management Company Limited	中再資產.net	2024/3/4	Domain name in Chinese
China Re Asset Management Company Limited	中再資產.中國	2024/3/4	Domain name in Chinese
China Re Asset Management Company Limited	中再資產.com	2024/3/4	Domain name in Chinese
China Re Asset Management Company Limited	chinareasset.org	2024/3/4	Domain name in English
China Re Asset Management Company Limited	chinareasset.net	2024/3/4	Domain name in English
China Re Asset Management Company Limited	chinareasset.cn	2024/3/4	Domain name in English
China Re Asset Management Company Limited	chinareasset.com	2024/3/4	Domain name in English
China Re Asset Management Company Limited	cramc.cn	2019/7/29	Domain name in English
China Re Asset Management Company Limited	chinareasset.com.cn	2024/3/4	Domain name in English

(c) ***Copyright***

As at the Latest Practicable Date, the Group has registered the following copyrights which are material for the business of the Group:

Name of Works	Copyright Owner	Date of Creation	Date of First Publication	Type of Works	Registration Number	Date of Issue
太和標.....................	The Company	28 August 2007	30 October 2007	Arts	Guo Zuo Deng Zi-2013-F-00112977	25 September 2013

3. Customers

In 2012, 2013, 2014 and the first half of 2015, our top five customers accounted for 39.1%, 40.5%, 38.7% and 50.1% of our GWPs, respectively, and our largest customer accounted for 13.9%, 14.4%, 11.9% and 24.0% of our GWPs, respectively.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of our Directors and chief executive of our Company will have any interests and short positions in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the H Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the H Shares are listed.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in the Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

			Immediately following the Completion of the Global Offering (assuming the Over-allotment Option is not exercised)		
Name of shareholder	**Nature of interest and capacity**	**Class**	**Number of Shares**	**Approximate % of interest in our Company**	**Approximate % of the relevant class of Shares of our Company**
MOF................	Legal and beneficial owner	Domestic Shares	5,407,101,067 (L)[1]	12.82%	15.09%
Central Huijin...	Legal and beneficial owner	Domestic Shares	30,423,521,018 (L)[1]	72.13%	84.91%
NSSF	Legal and beneficial owner	H Shares	576,989,000 (L)[1]	1.37%	9.09%

Note:

(1) All interests stated are long positions.

3. Service contracts

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation). Please refer to "Directors, Supervisors and Senior Management — Directors', Supervisors and senior management's remuneration" for details of Directors' service contracts and remuneration.

4. Directors' and Supervisors' remuneration

The aggregate amount of remuneration paid to our Directors and Supervisors for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was approximately RMB10.6 million, RMB9.9 million, RMB13.5 million and RMB3.8 million, respectively.

Remuneration and benefits in kind equivalent to approximately RMB7,768,400 in aggregate are expected to be paid and granted to our Directors and Supervisors by us in respect of the financial year ending 31 December 2015 under arrangements in place at the date of this prospectus.

5. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph entitled "5. Consents of experts" in the section headed "D. Other Information" in this Appendix has received any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

Save as disclosed in this prospectus, all of the Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate sponsorship fee of US$300,000 for acting as the sponsors for the Listing.

4. **Preliminary expenses**

Our estimated preliminary expenses are approximately HK$650,000 and are payable by our Company.

5. **Consents of experts**

Each of the following experts has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report, letter, opinion or summary of opinion (as the case may be) and the references to its name included herein in the form and context in which it is respectively included:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
HSBC Corporate Finance (Hong Kong) Limited	Licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO
Ernst & Young (China) Advisory Limited Company	Actuary
KPMG	Certified public accountants
Savills Valuation and Professional Services Limited	Property valuer
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
King & Wood Mallesons	PRC legal adviser

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

6. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

7. **Compliance adviser**

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us pursuant to Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

8. **No material adverse change**

Our Directors confirm that, save for the adverse impact that the 2015 Tianjin Explosions will have on our net profit for 2015, there has been no material adverse change in the financial or trading position of the Company since 30 June 2015 and up to the date of this prospectus.

9. **Bilingual prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. **Disclaimers**

(a) Save as disclosed in this prospectus:

1. within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

2. no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

3. no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group;

4. within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company or any of its subsidiaries;

5. neither the Company nor any of its subsidiaries have issued nor agreed to issue any founder shares, management shares or deferred shares;

6. as at the Latest Practicable Date, none of our Directors or Supervisors or their associates or any shareholders of our Company who to the knowledge of the Directors owns more than 5% of our issued share capital had any interest in the top five business customers of our Company;

7. the Company has no outstanding convertible debt securities or debenture;

8. there is no arrangement under which future dividends are waived or agreed to be waived;

9. none of our Directors nor any of the parties listed in the paragraph headed "5. Consents of experts" of this appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

10. none of our Directors nor any of the parties listed in the paragraph headed "5. Consents of experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; and

11. no amount or securities or benefit has been paid or allotted or given within the two years immediately preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given.

(b) Our Directors confirm that there has not been any interruption in the business of the Company which may have or have had a material adverse effect on the financial position of the Company in the 12 months immediately preceding the date of this prospectus.

(c) None of the equity and debt securities (if any) of the Company is listed or dealt with on any other stock exchange or any other authorised trading facility such as the Securities Trading Automated Quotation System (證券交易自動報價系統) in the PRC nor is any listing or permission to deal being or proposed to be sought.

(d) Except that Huatai Insurance Agency is a sino-foreign investment limited liability company and is subject to the Law of the PRC on Sino-foreign Equity Joint Ventures, we currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed "D. Other information — 5. Consents of experts" in Appendix VIII to this prospectus and copies of each of the material contracts referred to in the section headed "B. Further Information About Our Business — 1. Summary of material contracts" in Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Slaughter and May at 47th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. our Articles of Association;

2. the Accountants' Report from KPMG, the text of which is set forth in Appendix I to this prospectus;

3. the audited consolidated financial statements of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015;

4. the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set forth in Appendix II to this prospectus;

5. the actuarial report prepared by Ernst & Young (China) Advisory Limited in relation to the embedded value, the text of which is set forth in Appendix III to this prospectus;

6. the property valuation report prepared by Savills Valuation and Professional Services, the text of which is set forth in Appendix IV to this prospectus;

7. the material contracts referred to in the section headed "B. Further Information About Our Business — 1. Summary of material contracts" in Appendix VIII to this prospectus;

8. the written consents of the experts referred to in the section headed "D. Other information — 5. Consents of experts" in Appendix VIII to this prospectus;

9. the legal opinion prepared by King & Wood Mallesons, our legal adviser as to the PRC law, in respect of certain aspects of our Group and our property interests; and

10. copies of the following PRC laws, together with unofficial English translations thereof:

    (A) the PRC Company Law;

    (B) the PRC Securities Law;

    (C) the PRC Insurance Law;

    (D) the Mandatory Provisions; and

    (E) the Special Regulations.

CHINA RE