



**中再集团** 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

專業 讓保險更保險  
Empower your insurance by expertise



2015 Annual Report

# CORPORATE CULTURE OF CHINA RE GROUP

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## MISSION

Diversifying economic risks

Assisting the robust development of the insurance industry

## VISION

Becoming a world-class reinsurance group with outstanding expertise and eminent brand

## CORE VALUES

Integrity

Expertise

Responsibility

Aspiration

## BASIC AWARENESS

Risk awareness

Service awareness

Compliance awareness

Collaboration awareness

## BUSINESS PHILOSOPHY

Prudence

Innovation

Openness

Mutual-benefit



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# FINANCIAL HIGHLIGHTS

Highlights of historical financial information of the Company as of the end of the reporting periods:

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

	2015	2014	% Change	2013	2012
<b>Group consolidation</b>					
Total assets	328,993	189,675	73.5	154,829	148,029
Total liabilities	258,036	135,040	91.1	108,941	103,759
Total equity	70,957	54,635	29.9	45,888	44,270
Gross written premiums	80,434	73,753	9.1	67,375	59,299
Net profit	7,675	5,476	40.2	3,396	2,318
Net profit attributable to equity shareholders of the parent company	7,579	5,404	40.2	3,373	2,262
Earnings per share (RMB)	0.20	0.15	36.2	0.09	0.06
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.65	1.48	11.6	1.24	1.20
Weighted average return on equity (%) <sup>1</sup>	12.99	10.91	Increase of 2.1 percentage points	7.58	5.40

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



## HONORS AND AWARDS

### **China Re Group was granted the “2015 Asia Insurance Influence Award”**

On 28 November 2015, China Re Group was granted the “2015 Asia Insurance Influence Award” at the 10th 21st Century Annual Finance Summit of Asia.

### **China Re Group was granted the “2015 Annual Insurance Company Award”**

On 11 December 2015, China Re Group was granted the “2015 Annual Insurance Company Award” issued by the “CBN Financial Value Ranking”.

### **China Re Group was granted the “Best Corporate Governance Award” and the “Most Valuable Brand Award”**

In 2015, China Re Group was granted the “Best Corporate Governance Award” and the “Most Valuable Brand Award” issued by the *China Financial Market* magazine, which was announced on 26 January 2016.

### **China Re Group was recognised as an “Outstanding Team for Poverty Alleviation”**

On 14 October 2015, the CPC Qinghai Provincial Committee held a meeting to award outstanding teams and individuals for poverty alleviation in Qinghai Province, at which China Re Group was recognised as an “Outstanding Team for Poverty Alleviation”.

### **China Continent Insurance was granted the “2015 Most Responsible Company Award”**

On 22 July 2015, China Continent Insurance was granted the “2015 Most Responsible Company Award” at the 4th China Finance Summit.

### **China Continent Insurance was granted the “China Best Call Centre Service Innovation Award”**

On 24 September 2015, the 95590 call centre of China Continent Insurance was granted the “China Best Call Centre Service Innovation Award” jointly issued by 51Callcenter.com, China Call Centre and BPO Industry Alliance as well as the Labor Science Research Institute of the Ministry of Human Resources and Social Security among the selection of best call centres and CRM in China.

### **China Continent Insurance was granted the “2015 Automobile Finance Service Innovation Award of China Automobile Dealership Industry”**

On 6 November 2015, China Continent Insurance was granted the “2015 Automobile Finance Service Innovation Award of China Automobile Dealership Industry” issued by China Automobile Dealers Association.

### **China Re AMC was granted the first prize of the “Insurance Asset Management Product Innovation Contest”**

On 12 November 2015, China Re AMC was granted the first prize at the “Insurance Asset Management Product Innovation Contest” held by the Insurance Asset Management Association of China.

## STATEMENT FROM THE CHAIRMAN



In 2015, the global economy continued to recover at a moderate pace while the growth rates of various economies continued to further diverge. The PRC's economy achieved stable performance while at the same time securing progress with improvement in economic restructuring and significant progress in deepening the reform. In a year full of changes, with both challenges and opportunities, the full implementation of strategies such as "One Belt One Road", "Internet +" and "New Ten Guidelines" in the insurance industry provided strong support for the industry, the country and even the world to recover and transform. Corporate development was closely related to and in line with the nation's development and industry trends. As a leader in the PRC reinsurance market, China Re Group, with an in-depth understanding of and an active reaction to the national and industry strategies, seized the opportunities in a complex economic and financial environment, conducted reforms and innovations and forged ahead with determination. We successfully completed our IPO and maintained outstanding operational performance. Our dominant market position remained stable and our brand value significantly increased. We effectively performed our missions and responsibilities and achieved positive results in our reform and development, all of which marked 2015 as an extraordinary year in the progress of our reform and development.

**China Re Group recorded remarkable operating results and continued to steadily create value for its shareholders.** In 2015, the Group's gross written premiums amounted to RMB80,434 million, representing a year-on-year increase of 9.1%; consolidated profit before tax amounted to RMB9,889 million, representing a year-on-year increase of 41.1%; consolidated net profit amounted to RMB7,675 million, representing a year-on-year increase of 40.2%; net profit attributable to equity shareholders of the parent company of RMB7,579 million, earnings per share of RMB0.20 and weighted average return on equity of 12.99% were

## STATEMENT FROM THE CHAIRMAN

achieved. The profitability of our reinsurance business segment continued to increase, which solidified our strong leading position in the industry. Our primary property and casualty (“P&C”) insurance business segment recorded healthy development, continuously ranking among top 6 in the industry in terms of market share. Our assets under management increased significantly, and our total investment yield reached 8.48%, higher than industry average. We were rated “A (excellent)” by A.M. Best for six consecutive years and rated “A+” by Standard & Poor’s for two consecutive years.

**China Re Group successfully completed its H share IPO and its overall strength continued to improve.** On 26 October 2015, we became listed on the Main Board of the Hong Kong Stock Exchange. The successful listing is an examination and review of our long-term and unremitting efforts and forges a new milestone of our development history. In the past year, we continued to strengthen system development and fundamental management in order to further improve our centralised and specialised management practices and our corporate transparency. In respect of strategic management, we captured the trends for social, industry and technology development and schemed the “Thirteenth Five-Year Plan” of China Re Group by specifying the strategic development ideas of the Group. In respect of capital management, we closely monitored capital needs through multiple models, improved our capital replenishment methods, optimised our capital allocation and made full use of the supporting role of capital management for the implementation of our strategies. In respect of marketisation capability development, we continued to strengthen our talent teams, focused on the development of our subsidiaries’ management, regulated the selection and use of talents, introduced and accumulated talents through multiple channels in order to optimise the structure of our talents. In respect of IT infrastructure development, we actively advanced the deep integration of information technology and reinsurance business development, and steadily pushed forward the establishment of a new comprehensive reinsurance business platform.

**China Re Group continued to push forward reforms and innovations to enhance its market competitiveness and brand value.** As the market leader, we proactively promoted the catastrophe insurance pilot projects, assisted in the establishment of the Earthquake Catastrophe Insurance Pool, explored the tiered catastrophe risk spreading mechanism, and played a key role in designing catastrophe insurance products and setting the catastrophe insurance premium rating table. We, through an independent special purpose vehicle, successfully sponsored the issuance of the first catastrophe bond linked to China earthquake risks in the overseas markets. We further strengthened our relationship with primary insurance companies by either leading or cooperating in the development of various innovative insurance products such as construction inherent defects insurance, prototype equipment scheme comprehensive insurance and the second generation of cancer insurance. We vigorously facilitated the development of our information technology and Internet insurance, and made innovations and breakthroughs in a number of niche areas of primary P&C insurance and insurance brokerage by implementing the strategy of “Internet+” and big data platform. We have an in-depth understanding of the new rules for insurance funds utilisation under the new normal, and made a number of outstanding achievements in the industry through combination of equity and debt and creditor’s right in real estate, which generated strong investment income and positive social impacts. We continued to prudently advance our international strategy and optimise our business mix. Initial effect was seen that our domestic business development started to benefit from our experience gained from the international market, and our international influence and brand value continued to improve. We introduced innovative incentive mechanisms and awarded key business innovation projects which have recorded outstanding performance, further motivating innovations in the Group.

## STATEMENT FROM THE CHAIRMAN

By adhering to its core values of “integrity, expertise, responsibility and aspiration”, China Re Group actively performed its industry mission and social responsibility. By combining technical innovations with social governance, we worked with industry peers to accelerate the development of insurance relating to earthquake, agriculture price index, environmental pollution, food safety, medical and critical illness. We actively participated in China’s “agriculture, rural areas and farmers” project and supported the PRC’s agricultural development through sharing agricultural catastrophe risks, promoting government-supported agricultural insurance business, and providing the farmers with insurance coverage. We kept sound operation of our P&C insurance data analysis centre, maintained China’s first set of P&C insurance exposure curves, actively participated in the work of Office of Industry Experience Analysis under the China Association of Actuaries, and also acted as the management agency of the CARP and the observer of the Earthquake Catastrophe Insurance Pool. We actively participated in the C-ROSS regulation regime and the development of infrastructure such as national nuclear safety law, and continued to facilitate the regulated and healthy development of the insurance industry and China’s risk management system. We cared for education and welfare in poverty-stricken areas and actively contributed to social welfare by establishing relationship with Xunhua County, Qinghai Province for many years and providing aids to over 1,000 pupils in more than 10 local primary schools and more than 100 local impoverished undergraduates. We sent outstanding cadres to local townships for participation in grass-roots work, who explored ways to serve economic and social development and nurtured our unique value in performing social responsibility.

2016 is the first year of implementation by China Re Group of its “Thirteenth Five-Year” blueprint, and also a year of both challenges and opportunities. China is entering a strategic period of stable social and economic growth and structure refining. The implementation of the “New Ten Guidelines” in the insurance industry and the advancement of market-oriented regulation reform have provided the insurance industry with an unprecedented policy bonus, while the official implementation of the C-ROSS regime, continuous influx of capital and accelerated technical changes and innovations resulted in increasingly intense competition in the industry. Facing the new situations, we will have firm confidence, uplift our spirit, seize the opportunities and forge ahead with determination. We will continue our strategies of market-oriented reforms, professional operation and internationalisation, and cope with the changes in regulation and market environment by strengthening our core reinsurance business while continuously strengthening our comprehensive business planning to actively build our differentiated competitive advantages, as well as to strive for steady operating results and a good start for the reform in the “Thirteenth Five-Year” period.

No difficulties cannot be overcome with a resolute mind. We believe that with the trust and support from our shareholders and employees, China Re Group will be able to create returns for all shareholders, all employees and the society with strong operating results in 2016.



LI Peiyu  
Chairman

Note: On 10 March 2016, Mr. LI Peiyu resigned as an executive Director, the Chairman and from other positions in the Company due to work commitment, details of which are set out in the announcement of the Company dated 10 March 2016.

# STATEMENT FROM THE PRESIDENT



In the face of complex domestic and international economic and financial situations in 2015, China Re Group focused its efforts on “stimulating growth, optimising structure and strengthening capabilities” while capturing opportunities and facing challenges to accelerate the establishment of its business presence. It recorded outstanding operational performance, achieved continuous growth of profitability and scale, and entered a new level of reform and development.

## Operating Results

In 2015, the Group’s gross written premiums amounted to RMB80,434 million, representing an increase of 9.1% compared with last year; the Group’s consolidated net profit amounted to RMB7,675 million, representing an increase of 40.2% compared with last year; the Group’s weighted average return on equity was 12.99%, representing a significant increase of 2.1 percentage points from 2014; its total investment income was RMB12,811 million, representing an increase of 52.6% compared with last year. For the P&C reinsurance segment, gross written premiums amounted to RMB31,924 million, representing an increase of 2.5% compared with last year; net profit was RMB3,081 million, representing an increase of 43.8% compared with last year; weighted average return on equity was 18.66%. For the life and health reinsurance segment, gross written premiums amounted to RMB22,978 million, representing an increase of 9.0% compared with last year; net profit was RMB2,531 million, representing an increase of 78.9% compared with last year; weighted average return on equity was 20.64%. For the primary P&C insurance segment, gross written premiums amounted to RMB26,685 million, representing an increase of 18.8% compared with last year; net profit was RMB1,352 million, representing an increase of 54.9% compared with last year; weighted average return on equity was 12.82%.

## STATEMENT FROM THE PRESIDENT

The outstanding financial performance has been achieved mainly because we actively cultivated new business growth drivers, strengthened the link between assets and liabilities, improved client services, enhanced core technical capabilities and improved our internal management. At the same time, we are also facing challenges as capital utilisation efficiency needs to be further enhanced, market-oriented incentive and restraint mechanism is yet to be optimised, and the collaboration and synergies between our business segments are yet to be improved.

### Innovation Highlights

In 2015, China Re Group adapted to market changes and actively planned for strategic emerging business and achieved remarkable results in business innovations. The P&C reinsurance business segment further played an important role in major industry innovations and breakthroughs. We proactively took part in China's pilot launch of catastrophe insurance in Ningbo, Shenzhen, Yunnan and Sichuan and developed new reinsurance service models. We started with innovations in facultative reinsurance business and partnered with primary insurance companies to develop and underwrite construction inherent defects insurance, prototype equipment scheme comprehensive insurance and unmanned aerial vehicle insurance. The life and health reinsurance business segment made constant innovations in a volatile market to enhance its core technical expertise. We cooperated with many of our domestic clients to develop cancer insurance and maintained its leading position in the reinsurance market for cancer insurance products, thereby taking an important step in respect of technical research and development as well as commercialisation of the traditional protection-type reinsurance products. We launched the introduction of longevity risk technologies, business development and promotion of similar products in domestic market. The primary P&C insurance business segment closely followed the market trends and accelerated product innovations and new business planning. We obtained the license to sell personal loan surety insurance products, and introduced "Shidai Insurance" (時貸險), an innovative personal loan surety insurance product. Our "Internet +" strategy has made substantial progress as we established an electronic commerce company and launched the Dadi Tongbao APP (大地通保APP). We strengthened our deployment of new business and made significant breakthroughs in areas such as critical illness insurance, plantation insurance, food safety liability insurance, prototype equipment liability insurance as well as urban and rural residential building insurance for earthquake. The asset management segment focused on performance and brand and further promoted innovations in products and services. We are the first domestic insurance company to design and issue hybrid equity/debt insurance asset management products for investment in rail transportation projects, which has been awarded the first prize of the "Insurance Asset Management Product Innovation Contest" held by the Insurance Asset Management Association of China. Our third party entrustment work achieved a major breakthrough as we became qualified as an insurance fund investment manager. The insurance brokerage segment achieved innovations and breakthroughs in photovoltaic business and credit insurance assessment areas, and the travel delay and travel inconvenience insurance business started to yield positive results.

### Work Initiatives

We attach great importance to risk management and consider risk management, internal control and compliance as essential components of our core competitiveness and as safeguard for our sustainable development. In 2015, we made steady progress in the development of a comprehensive risk management system, finished the trial operation of our risk appetite system and strengthened the integration of risk appetites, business budgeting and performance appraisal, which laid a solid foundation for the formal launch of our risk appetite system.

# STATEMENT FROM THE PRESIDENT

We have always regarded innovation and development as our top priority and have actively made corresponding arrangements by making innovation part of our overall operation. In 2015, we persisted in the integration of internal growth and joint development. We focused on strengthening the Group's systematic service support and resource consolidation and coordination and captured strategic and tactical business opportunities to ensure steady growth of our overall operating performance. We focused on the implementation of major strategic projects, accelerated international strategic layout, made steady progress in major fundamental projects such as the development of new business, catastrophe insurance mechanism and reinsurance core business system.

## Future Prospects

At present, global economy continues its slow recovery. China's economy is at the stage of the "three period superposition" with difficulties and opportunities co-existing with each other; however, it can still achieve medium-high speed growth with the support from its solid base and overall development momentum. The development environment and stage characteristics of the insurance industry are undergoing significant changes. The insurance industry is facing challenges such as pressure brought by the slowdown of economic growth, changes in the reinsurance structure brought by the implementation of the C-ROSS regime and more intense market competition as more capital enters into the insurance industry. The publication and gradual implementation of the "New Ten Guidelines" in the insurance industry provides a new top-level blueprint of industry transformation and upgrade, elevates the position of insurance industry in economic and social development and opens up a window for industry development. Insurance will become an important tool for national governance system and economic and social development. Policy support for catastrophe and agricultural insurance further strengthens, while Individual Income Tax Pilot Programmes for Commercial Health Insurance and Pilot for Individual Tax-Deferred Pension Programme continue to advance. Growth hotspots in industry innovation such as health insurance pension insurance, liability insurance, construction inherent defects insurance and agricultural price index insurance provide rare development opportunities for the industry.

China Re Group will proactively capture opportunities, tackle difficulties and stick to its values and reform with innovations to actively adapt to the changes in regulatory policies and market landscape. While consolidating our market competitiveness in traditional areas, we will take the initiative to actively adjust our risk strategies, effectively advance the transformation and upgrading of our business structure and operational model, and constantly explore new business areas and business growth drivers in order to maintain steady operations and reward the trust and support from our shareholders and the society with strong performance.



ZHANG Hong  
*President*

## STATEMENT FROM THE CHAIRMAN OF THE BOARD OF SUPERVISORS



In 2015, China Re Group's listing in Hong Kong H-share market demonstrated the high recognition of the international capital market for the market competitiveness and performance enhancement of the Group, as well as its positive expectations of the Group's future global development and rapid growth.

In 2015, the Board of Supervisors played a constructive supervisory role by monitoring the impact of domestic catastrophes and capital market fluctuations on the P&C insurance and reinsurance businesses as well as the investment business of the Group. It urges the Directors and senior management to further improve risk management and control in order to prevent and mitigate the risks of its core operations and to continuously enhance the operational efficiency and performance of the Group.

Looking ahead, China Re Group faces many development opportunities and challenges, making the supervisory role of the Board of Supervisors increasingly important. We believe all the parties involved in corporate governance will stay committed to promoting steady operation and balanced development to achieve better performance of the Group.

A handwritten signature in Chinese characters, which reads '王勇刚' (Wang Yonggang). The signature is written in black ink and is enclosed in a large, thin, hand-drawn bracket on the right side.

**WANG Yonggang**  
*Chairman of the Board of Supervisors*

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is primarily engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses. 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 wholly-owned by the Group Company, China Re P&C, China Re Life and China Continent Insurance. In addition, the Group Company engages in CNIP business, operates overseas P&C reinsurance business and the domestic and overseas legacy P&C reinsurance business through China Re P&C and operates the domestic legacy life and health reinsurance through China Re Life. We conduct our Lloyd's business through China Re Syndicate 2088, a syndicate at Lloyd's.

## Key Operating Data

The following table sets forth our selected key operating data by business segment for the reporting periods indicated:

*Unit: RMB in millions, except for percentages*

	For the Year Ended	
	31 December	
	2015	2014
Gross written premiums by business segment		
Gross written premiums	80,434	73,753
P&C reinsurance <sup>1</sup>	31,924	31,135
Life and health reinsurance <sup>1</sup>	22,978	21,081
Primary P&C insurance <sup>1</sup>	26,685	22,459
Embedded value of life and health reinsurance business	16,248	13,783
Value of one year's new business of life and health reinsurance business	934	643
Total investment yield (%)	8.48	6.54
Solvency margin ratio (%)		
China Re Group (%)	235	248
Group Company (%)	4,695	16,309
China Re P&C (%)	306	217
China Re Life (%)	212	271
China Continent Insurance (%)	206	228

Note: 1. Before inter-segment eliminations

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group focused on promoting growth, optimising structure and strengthening capability. Although certain loss was incurred as a result of the Tianjin explosions, the Group was still able to deliver good performance, with stable growth of business and significant improvement in investment performance recorded. In 2015, gross written premiums of the Group increased by 9.1%, from RMB73,753 million in 2014 to RMB80,434 million in 2015, of which gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB31,924 million, RMB22,978 million and RMB26,685 million, respectively. Our core reinsurance business maintained steady market position, and we continued to have the leading Market Share in terms of Premiums Ceded in the PRC P&C reinsurance market and life and health reinsurance market. In terms of original premium income, we accounted for 3.2% market share of all primary P&C insurance companies in the PRC in 2015, ranking No.6 in the market. Our total investment yield on a consolidated basis was 8.48%.

In addition to achieving such performance, the Group also accomplished remarkable results in maintaining capital base and improving risk management. In 2015, we were rated “A (Excellent)” by A.M. Best for six consecutive years and rated “A+” by Standard & Poor’s for two consecutive years.

### Key Financial Indicators

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

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

	For the Year Ended 31 December	
	2015	2014
Gross written premiums	80,434	73,753
Profit before tax	9,889	7,007
Net profit	7,675	5,476
Net profit attributable to equity shareholders of the parent company	7,579	5,404
Earnings per share (RMB)	0.20	0.15
Weighted average return on equity (%) <sup>1</sup>	12.99	10.91
Total assets	328,993	189,675
Total liabilities	258,036	135,040
Total equity	70,957	54,635
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.65	1.48

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

# MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group's capital base has been further strengthened, with total equity growing by 29.9% from RMB54,635 million as at 31 December 2014 to RMB70,957 million as at 31 December 2015. Net profit of the Group increased by 40.2% from RMB5,476 million in 2014 to RMB7,675 million in 2015, and net profit attributable to equity shareholders of the parent company increased by 40.2% from RMB5,404 million in 2014 to RMB7,579 million in 2015. Weighted average return on equity of the Group increased by 2.1 percentage points from 10.91% in 2014 to 12.99% in 2015; earnings per share increased by 36.2% from RMB0.15 in 2014 to RMB0.20 in 2015.

## P&C REINSURANCE

### Business Analysis

Our businesses of the P&C reinsurance segment mainly include domestic P&C reinsurance business of our wholly-owned subsidiary China Re P&C, international P&C reinsurance business, Lloyd's business, CNIP business and certain legacy P&C reinsurance business. In 2015, reinsurance premium income from our P&C reinsurance segment was RMB31,924 million, representing 39.1% of gross written premiums of China Re Group for the year (before inter-segment eliminations); in 2015, net profit for our P&C reinsurance segment was RMB3,081 million, combined ratio, expense ratio and loss ratio were 98.9%, 37.9% and 61.0%, respectively, and weighted average return on net assets was 18.66%.

### Domestic P&C Reinsurance Business

#### Overview

In 2015, we adhered to our development strategy of “seizing opportunities, making progress while maintaining stability, controlling risks and adjusting structure” by thoroughly studying industry trends and cyclical changes. By seizing business opportunities, deepening cooperation, focusing on core clients and core business and planning for innovative business, our business size maintained steady growth. Through business condition optimisation, retrocession protection and the utilisation of quantitative tools including economic capital model, our underwriting risks were effectively managed. Meanwhile, by refining internal management, strengthening technology improvement, optimising talent team and improving client services, a variety of adverse factors were overcome and solid progress was made for our business. In 2015, reinsurance premium income from our domestic P&C reinsurance business was RMB29,632 million, representing a year-on-year increase of 1.1% and accounting for 92.8% of reinsurance premium income from our P&C reinsurance business segment for the same period. The combined ratio, expense ratio and loss ratio of the segment were 99.99%, 37.83% and 62.16%, respectively. Despite the material disaster of explosions in Tianjin on 12 August 2015, we were still able to maintain positive momentum of development and record stable operating results.

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, which is generally in line with the business distribution in the PRC P&C reinsurance market and at the same level as 2014. In terms of business channel, by virtue of our good direct cooperation with domestic clients, our domestic P&C reinsurance business primarily consists of direct business channel, which keeps stable compared with 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB in millions, except for percentages*

Type of reinsurance arrangement	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	29,265	98.8%	28,988	98.9%
Facultative reinsurance	367	1.2%	308	1.1%
<b>Total</b>	<b>29,632</b>	<b>100.0%</b>	<b>29,296</b>	<b>100.0%</b>

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

*Unit: RMB in millions, except for percentages*

Form of cession	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	29,300	98.9%	28,973	98.9%
Non-proportional reinsurance	332	1.1%	323	1.1%
<b>Total</b>	<b>29,632</b>	<b>100.0%</b>	<b>29,296</b>	<b>100.0%</b>

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

*Unit: RMB in millions, except for percentages*

Business channel	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Direct	28,852	97.4%	28,521	97.4%
Brokerage	780	2.6%	775	2.6%
<b>Total</b>	<b>29,632</b>	<b>100.0%</b>	<b>29,296</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Lines of business

As the largest domestic 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 PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, including motor, commercial property and household, agricultural, liability and engineering insurance.

The table below sets forth the structure breakdown of the domestic P&C insurance type covered by the reinsurance provided by China Re P&C for the reporting periods indicated. The business structure remained stable in 2015 compared to 2014.

*Unit: RMB in millions, except for percentages*

Type of insurance	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Motor	18,151	61.3%	17,491	59.7%
Commercial property and household	4,007	13.5%	4,354	14.9%
Agricultural	3,227	10.9%	3,227	11.0%
Liability	1,571	5.3%	1,455	5.0%
Engineering	1,067	3.6%	983	3.4%
Others <sup>1</sup>	1,609	5.4%	1,786	6.0%
<b>Total</b>	<b>29,632</b>	<b>100.0%</b>	<b>29,296</b>	<b>100.0%</b>

Note: 1. Others include, among others, cargo, marine hull, specialty, credit and accident insurance.

*Motor insurance.* In 2015, although certain major primary insurance companies adjusted their ceding structures, we implemented a proactive business strategy to explore emerging business opportunities. Premium income from motor insurance for the year amounted to RMB18,151 million, representing a year-on-year increase of 3.8% and accounting for 61.3% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

*Commercial property and household insurance.* In 2015, as a result of the weakened growth of primary insurance market and the adjustment to ceding structures by certain major companies, we recorded premium income from commercial property and household insurance of RMB4,007 million, representing a year-on-year decrease of 8.0% and accounting for 13.5% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

## MANAGEMENT DISCUSSION AND ANALYSIS

*Agricultural insurance.* In 2015, we recorded premium income from agricultural insurance of RMB3,227 million, largely at the same level as last year and accounting for 10.9% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

*Liability insurance.* In 2015, as a result of strengthened marketing of liability insurance and rapid growth of primary insurance market, we recorded premium income from liability insurance of RMB1,571 million, representing a year-on-year increase of 8.0% and accounting for 5.3% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

*Engineering insurance.* In 2015, driven by the government's large-scale investments and the Company's proactive business strategy, we recorded premium income from engineering insurance of RMB1,067 million, representing a year-on-year increase of 8.5% and accounting for 3.6% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

### **Clients and client services**

In 2015, we continued to maintain good client relationship, covering 93% of P&C insurance companies in the PRC. We have established long-term stable relationship with major primary insurance companies in the PRC and strengthened our relationship with them through business cooperation, technical communication and client services.

### **International P&C Reinsurance Business**

In 2015, we proactively advanced our overall planning and business expansion based on the principle of "maintaining profitability while keeping risks under control" as well as the philosophy of "rational operation and prudent growth." By proper capacity allocation, strict control of liability accumulation of catastrophe risks, and active development of non-catastrophe P&C insurance business, we achieved growth of premium income, optimisation of business structure and improvement in profitability. The international P&C reinsurance premium income in 2015 was RMB1,604 million, representing a year-on-year increase of 18.2% and accounting for 5.0% of our P&C reinsurance business segment's premium income. The combined ratio, expense ratio and loss ratio of this segment were 82.4%, 30.0% and 52.4%, respectively.

In terms of type of reinsurance arrangement, our International P&C reinsurance business consists primarily of treaty reinsurance. In 2015, we increased our efforts to develop more facultative reinsurance business. Our facultative premium income increased by 108.1% on a year-on-year basis and its percentage to the total international P&C reinsurance premium income increased slightly from the previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB in millions, except for percentages*

Type of reinsurance arrangement	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	1,527	95.2%	1,320	97.3%
Facultative reinsurance	77	4.8%	37	2.7%
<b>Total</b>	<b>1,604</b>	<b>100.0%</b>	<b>1,357</b>	<b>100.0%</b>

In terms of geographic area, Europe, Asia, and North America were the main sources of our International P&C reinsurance business, respectively representing 41.7%, 37.8% and 17.0%, of total reinsurance premium income. Compared to last year, the percentage of North American reinsurance premium increased significantly as a result of rapid business growth which is due to the continuous improvement of brand recognition of China Re in North America.

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

*Unit: RMB in millions, except for percentages*

Source region of business	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Europe	668	41.7%	585	43.2%
Asia	606	37.8%	565	41.6%
North America	273	17.0%	156	11.5%
Latin America	43	2.7%	44	3.2%
Africa	10	0.6%	4	0.3%
Oceania	4	0.2%	3	0.2%
<b>Total</b>	<b>1,604</b>	<b>100.0%</b>	<b>1,357</b>	<b>100.0%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

For products, our International P&C reinsurance business primarily provides coverage on non-marine, specialty, liability and motor insurance.

For business channels, reputable international brokers remain our major source of international P&C reinsurance business. We also cooperate with small-and-medium-sized brokers to seek quality regional business.

For customers, by keeping our strategic relationship with international reinsurance companies such as XL Catlin and The Toa Reinsurance Co., Ltd., we devoted efforts towards our key customers and commenced all-round business cooperation with them.

### **Lloyd's Business**

Our Lloyd's business is mainly conducted by China Re Syndicate 2088. As an independent syndicate, China Re Syndicate 2088 operates underwriting business with Lloyd's under our brand. We are the first Chinese company to set up a syndicate at Lloyd's.

In 2015, reinsurance premium income from our Lloyd's business amounted to RMB752 million, representing an increase of 58.0% as compared with the corresponding period of last year, accounting for 2.4% of reinsurance premium income from our P&C reinsurance business segment for the same period. In 2015, the combined ratio, expense ratio and loss ratio of our Lloyd's business were 112.2%, 50.7% and 61.5%, respectively.

### **CNIP Business**

Our CNIP business is operated through China Nuclear Insurance Pool. The Company is the management institution and chairman company of CNIP. As at 31 December 2015, members of CNIP included 29 domestic and international P&C insurance and reinsurance companies. Our CNIP business primarily includes nuclear P&C insurance and nuclear third-party liability insurance. The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2015, reinsurance premium income from the business underwritten by the Group Company amounted to RMB56 million. The insured subjects relating to our CNIP business were widely located in the PRC and overseas countries with nuclear energy, achieving good regional diversification of business risks.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

The following table sets forth selected key financial data of our P&C reinsurance segment (including the domestic P&C reinsurance business of our wholly-owned subsidiary China Re P&C, international P&C reinsurance business, Lloyd's, CNIP business and certain legacy P&C reinsurance business retained at the Group Company level) for the reporting periods indicated:

*Unit: RMB in millions, except for percentages*

	For the Year Ended 31 December		Change
	2015	2014	
Gross written premiums	31,924	31,135	2.5%
Less: premiums retroceded	(590)	(631)	(6.5%)
Net written premiums	31,334	30,504	2.7%
Change in unearned premium reserves	270	483	(44.1%)
Net premiums earned	31,604	30,987	2.0%
Reinsurance commission income	50	80	(37.5%)
Investment income	3,705	2,228	66.3%
Exchange gains/(losses), net	95	(101)	(194.1%)
Other income	20	4	400.0%
Total income	35,474	33,198	6.9%
Claims and policyholders' benefits	(19,295)	(19,819)	(2.6%)
Handling charges and commissions	(11,723)	(10,383)	12.9%
Finance costs	(25)	(43)	(41.9%)
Other operating and administrative expenses	(510)	(257)	98.4%
Total benefits, claims and expenses	(31,553)	(30,502)	3.4%
Share of profits of associates	7	6	16.7%
Profit before tax	3,928	2,702	45.4%
Income tax	(847)	(559)	51.5%
Net profit	3,081	2,143	43.8%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 2.5% from RMB31,135 million in 2014 to RMB31,924 million in 2015, mainly due to the growth of domestic motor reinsurance business and international P&C reinsurance business.

### Premiums Retroceded

Premiums retroceded for our P&C reinsurance segment decreased by 6.5% from RMB631 million in 2014 to RMB590 million in 2015, mainly due to the decrease in retrocession volume for certain retrocessionaires in our domestic P&C reinsurance business.

### Reinsurance Commission Income

Reinsurance commission income from our P&C reinsurance segment decreased by 37.5% from RMB80 million in 2014 to RMB50 million in 2015, in line with the decrease in premiums retroceded for the same period.

### Investment Income

Investment income from our P&C reinsurance segment increased by 66.3% from RMB2,228 million in 2014 to RMB3,705 million in 2015, mainly because investment income was increased significantly following the surge in the capital market in 2015.

### Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment decreased by 2.6% from RMB19,819 million in 2014 to RMB19,295 million in 2015, mainly due to the decrease in policyholders' benefits paid during current accounting period for insurance policies recognised in previous periods as the growth of premium income slowed down since 2013.

### Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment increased by 12.9% from RMB10,383 million in 2014 to RMB11,723 million in 2015, mainly due to the increase in handling charges prepaid as a result of the increase in gross written premiums in 2015, as well as the increase in handling charges payable for adjustment as a result of the decrease in expected loss ratio for previous years.

### Finance Costs

Finance costs for our P&C reinsurance segment decreased by 41.9% from RMB43 million in 2014 to RMB25 million in 2015, mainly due to the decrease in the average balance of securities sold under agreements to repurchase.

### Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment increased by 16.7% from RMB6 million in 2014 to RMB7 million in 2015, mainly due to the increase in net profit of associates.

### Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment increased by 43.8% from RMB2,143 million in 2014 to RMB3,081 million in 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIFE AND HEALTH REINSURANCE

Our life and health reinsurance business segment comprises the life and health reinsurance business operated by China Re Life, our wholly-owned subsidiary, and the legacy life and health reinsurance business retained by the Group Company. In the complex and volatile business environment, especially with the adverse factors such as fluctuations of exchange rates and downward interest rate, we continued to consolidate the dominant position of our traditional business with competitive advantages in the domestic market, diversified into domestic and overseas savings-type business, actively seized opportunities in the financial reinsurance market, accelerated the cultivation of new growth drivers, and continued to strengthen assets and liabilities management. As a result, we achieved a positive result driven by two-wheel operation of both insurance and investment, together with the concurrent development in both domestic and overseas markets. In 2015, the reinsurance premium income of our life and health reinsurance business segment was RMB22,978 million, representing 28.2% of gross written premiums of the China Re Group (before inter-segment eliminations), net profit for the segment was RMB2,531 million, and the weighted average return on equity reached 20.64%. In particular, the reinsurance premium income of China Re Life amounted to RMB22,861 million and the total written premiums (“TWP”) of China Re Life amounted to RMB26,192 million (including TWPs of RMB3,331 million for savings-type universal life reinsurance), representing a year-on-year increase of 14.7%. Given the business significance and operational independence of China Re Life, unless otherwise stated, references to our life and health reinsurance business in this section shall be the business of China Re Life.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Analysis

In terms of business lines, our life and health reinsurance business is featured by concurrent development of protection-type reinsurance, savings-type reinsurance and financial reinsurance in domestic and overseas markets.

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

*Unit: RMB in millions, except for percentages*

Business lines	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Domestic protection-type reinsurance	3,642	15.9%	2,877	13.7%
Domestic savings-type reinsurance	531	2.3%	671	3.2%
Domestic financial reinsurance	14,809	64.8%	11,455	54.7%
<b>Domestic in total</b>	<b>18,982</b>	<b>83.0%</b>	<b>15,003</b>	<b>71.6%</b>
Overseas savings-type reinsurance	3,361	14.7%	5,302	25.3%
Other overseas business	518	2.3%	652	3.1%
<b>Overseas in total</b>	<b>3,879</b>	<b>17.0%</b>	<b>5,954</b>	<b>28.4%</b>
<b>Total</b>	<b>22,861</b>	<b>100.0%</b>	<b>20,957</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

In addition, we also actively developed savings-type universal life reinsurance business. The following table sets forth the TWPs for the savings-type universal life reinsurance for the reporting periods indicated:

*Unit: RMB in millions, except for percentages*

Universal life reinsurance	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Domestic savings-type universal life reinsurance	409	12.3%	–	–
Overseas savings-type universal life reinsurance	2,922	87.7%	1,881	100.0%
<b>Total</b>	<b>3,331</b>	<b>100.0%</b>	<b>1,881</b>	<b>100.0%</b>

## Domestic Life and Health Reinsurance

We continued to consolidate the dominant position of traditional domestic business with our key clients by developing popular products including critical illness and cancer insurance, new types of accident insurance etc., promoted our “assets driving liabilities” business model, made breakthroughs in domestic single premium universal life insurance business, and seized the opportunities in the financial reinsurance market. As a result, we achieved a balanced development of both business volume and profit. In 2015, our domestic business reached a new record high with TWPs of RMB19,391 million, representing an increase of 29.2% from 2014, of which reinsurance premium income was RMB18,982 million, representing an increase of 26.5% from 2014.

We adopted proactive pricing strategies and differentiated underwriting policies in protection-type reinsurance business. On one hand, we improved service experiences of key clients by providing value-added services such as health management and expedited access. On the other hand, we promoted technical research and results sharing, and actively supported client companies in product development and upgrading by product cooperation and experience sharing. Positive progress has been achieved in life, health and accident insurance business simultaneously. In 2015, our reinsurance premium income from protection-type reinsurance business was RMB3,642 million, representing an increase of 26.6% from 2014.

We adopted a strategy of selecting proper timing to conduct savings-type reinsurance business. Amid continuous relatively high business cost in domestic market, we promoted the business model of “assets driving liabilities”, explored business opportunities with effective support from assets, and made breakthroughs in domestic single premium universal life insurance business. In 2015, the TWPs of our domestic savings-type reinsurance business amounted to RMB940 million, representing an increase of 40.1% from 2014, of which reinsurance premium income from savings-type reinsurance business was RMB531 million, representing a decrease of 20.9% from 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of financial reinsurance business, we insisted on an underwriting strategy with a focus on profitability and business quality. We captured market opportunities brought by the rapid growth of high-cash value products as well as capital market fluctuations, actively expanding into financial reinsurance business with relatively lower risk and higher profit margin while ensuring our own solvency sufficiency, which has helped to increase our domestic market share and further promoted the cooperation in other reinsurance businesses. In 2015, the reinsurance premium income from financial reinsurance business was RMB14,809 million, representing an increase of 29.3% from 2014.

### Overseas Life and Health Reinsurance

Against the background of fluctuations in RMB exchange rate, increased competition and decrease in market demand, we strengthened the cooperation with clients and successfully implemented several conversion programs with regards to near-maturity policies, continued to advance RMB-denominated insurance product innovations and expanded asset-driven universal life reinsurance business in order to promote the diversified development of our cross-border RMB reinsurance business. We also actively strengthened the communication with regulatory authorities and primary insurance companies in markets outside Hong Kong and reasonably developed foreign-currency savings-type business, and as a result we maintained relatively stable volume and cash flows of overseas savings-type business. In 2015, the overseas savings-type business declined with TWPs amounting to RMB6,283 million, representing a decrease of 12.5% from 2014, of which the reinsurance premium income from overseas savings-type business was RMB3,361 million, representing a decrease of 36.6% from 2014 and the TWPs of overseas savings-type universal life reinsurance were RMB2,922 million, representing an increase of 55.3% from 2014.

We continued to deepen overseas business cooperation and communication. In addition to overseas savings-type reinsurance business, we also carried out reciprocal business and catastrophe reinsurance business. In 2015, the reinsurance premium income from other overseas business amounted to RMB518 million, representing a decrease of 20.6% from 2014, mainly due to RMB exchange rates fluctuations and accounting adjustments.

# MANAGEMENT DISCUSSION AND ANALYSIS

In terms of reinsurance arrangement and form of reinsurance, our life and health reinsurance business primarily consists of treaty reinsurance and proportional reinsurance, in line with the business distribution of life and health reinsurance market.

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

*Unit: RMB in millions, except for percentages*

Reinsurance arrangement	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	22,650	99.1%	20,716	98.9%
Facultative reinsurance	211	0.9%	241	1.1%
<b>Total</b>	<b>22,861</b>	<b>100.0%</b>	<b>20,957</b>	<b>100.0%</b>

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

*Unit: RMB in millions, except for percentages*

Form of reinsurance	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	22,816	99.8%	20,922	99.8%
Non-proportional reinsurance	45	0.2%	35	0.2%
<b>Total</b>	<b>22,861</b>	<b>100.0%</b>	<b>20,957</b>	<b>100.0%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of type of insurance, our life and health reinsurance business is primarily comprised of life insurance. Due to the overall growth of the health insurance market, the percentage of health insurance increased by 2.0 percentage points from 2014, and the percentages of life insurance and accident insurance decreased by 1.2 percentage points and 0.8 percentage point, respectively. The business structure remained largely stable.

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

*Unit: RMB in millions, except for percentages*

Type of insurance	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Life	17,804	77.9%	16,577	79.1%
Health	3,255	14.2%	2,551	12.2%
Accident	1,802	7.9%	1,829	8.7%
<b>Total</b>	<b>22,861</b>	<b>100.0%</b>	<b>20,957</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

The following table sets forth the key financial data of our life and health reinsurance segment (including the life and health reinsurance business operated by China Re Life, our wholly-owned subsidiary, and the legacy life and health reinsurance business retained by the Group Company) for the reporting periods indicated:

*Unit: RMB in millions, except for percentages*

	For the Year Ended		Change
	31 December		
	2015	2014	
Gross written premiums	22,978	21,081	9.0%
Less: premiums ceded to retrocessionaires	(4,202)	(2,533)	65.9%
Net written premiums	18,776	18,548	1.2%
Change in unearned premium reserves	(186)	(113)	64.6%
Net premiums earned	18,590	18,435	0.8%
Reinsurance commission income	433	462	(6.3%)
Investment income	4,765	2,921	63.1%
Exchange gains/(losses), net	15	8	87.5%
Other income	127	211	(39.8%)
Total income	23,930	22,037	8.6%
Claims and policyholders' benefits	(18,102)	(19,086)	(5.2%)
Handling charges and commissions	(2,450)	(990)	147.5%
Finance costs	(84)	(23)	265.2%
Other operating and administrative expenses	(787)	(599)	31.4%
Total benefits, claims and expenses	(21,423)	(20,698)	3.5%
Share of profits of associates	722	475	52.0%
Profit before tax	3,229	1,814	78.0%
Income tax	(698)	(399)	74.9%
Net profit	2,531	1,415	78.9%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Written Premiums

Reinsurance premium income from our life and health reinsurance segment increased by 9.0% from RMB21,081 million in 2014 to RMB22,978 million in 2015, mainly due to the increase in domestic protection-type reinsurance and domestic financial reinsurance business.

### Premiums Ceded to Retrocessionaires

Total premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 65.9% from RMB2,533 million in 2014 to RMB4,202 million in 2015, mainly due to the addition of retrocession arrangements for savings-type reinsurance.

### Reinsurance Commission Income

Reinsurance commission income from our life and health reinsurance segment decreased by 6.3% from RMB462 million in 2014 to RMB433 million in 2015, mainly due to the fluctuations caused by retrocession arrangements of different business types.

### Investment Income

Investment income from our life and health reinsurance segment increased by 63.1% from RMB2,921 million in 2014 to RMB4,765 million in 2015, benefiting from the surge in the PRC capital market in 2015.

### Other Income

Other income from our life and health reinsurance segment decreased by 39.8% from RMB211 million in 2014 to RMB127 million in 2015. It was mainly due to the decrease in interest income as a result of the decrease in deposits retained by cedants which was in turn caused by the termination of certain modified co-insurance contracts in 2015.

### Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment decreased by 5.2% from RMB19,086 million in 2014 to RMB18,102 million in 2015, mainly due to the decrease in surrender payments as the size of financial reinsurance business terminated in 2015 was lower than that of last year. This factor partially offset the impact of the increase in maturity benefits for our life and health reinsurance business during the year.

### Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased by 147.5% from RMB990 million in 2014 to RMB2,450 million in 2015, mainly due to the fluctuations caused by financial reinsurance arrangements in different periods.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

Finance costs for our life and health reinsurance segment increased by 265.2% from RMB23 million in 2014 to RMB84 million in 2015, mainly due to the increase in the average balance of securities sold under agreements to repurchase.

## Other Operating and Administrative Expenses

Other operating and administrative expenses for our life and health reinsurance segment increased by 31.4% from RMB599 million in 2014 to RMB787 million in 2015, mainly due to the increase in business taxes and surcharges as a result of the significant increase in investment income, as well as the increase in the cost of investment contracts as a result of the expansion of universal reinsurance business, which was recognised as investment contracts under the criteria of the risk significance test.

## Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment increased by 52.0% from RMB475 million in 2014 to RMB722 million in 2015, mainly due to a further increase of shareholding in the associates and an increase in net profit of the associates.

## Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 78.9% from RMB1,415 million in 2014 to RMB2,531 million in 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRIMARY P&C INSURANCE

In 2015, the growth of the PRC primary P&C insurance slowed down. Original premium income from P&C insurance companies grew at 11.6%, decreasing from 16.4% in 2014. The underwriting profit margin for the industry was low in general.

We continued to promote the transformation of our primary P&C insurance business and further enhanced the construction of the sales capabilities and channels to effectively improve its market competitiveness. We vigorously developed profitable business by continuously implementing the strategy of “identifying, controlling and introducing” to improve business quality for motor insurance business and using the “vehicle + person” hybrid sales model for non-motor insurance, in order to develop profitable business segment. We accelerated the development of telesales and online sales business to optimise organisational structure and improve operational efficiency. We strengthened the synergies between online and offline channels and continued to improve the quality of offline services. We accelerated our development in key regions to facilitate the construction of teams and channels in key cities. We continued to enhance management of and control over claims settlement and launched a new claims settlement system to further improve cost control.

In 2015, premium income from our primary P&C insurance business segment recorded steady growth. Gross written premiums amounted to RMB26,685 million for the year, representing a year-on-year increase of 18.8%, of which the original premium income was RMB26,589 million, representing a year-on-year increase of 18.9%. Our operating performance achieved significant improvement with net profit of RMB1,352 million for the year, representing a year-on-year increase of 54.9% and the weighted average return on equity reached 12.82%. In terms of original premium income from P&C insurance companies in 2015 published by CIRC, the market share of our primary P&C insurance business segment reached 3.2%, representing an increase of 0.19 percentage point from 2014.

### Product Business Analysis

The following table sets forth gross written premiums of various products of our primary P&C insurance segment for the reporting periods indicated:

*Unit: RMB in millions, except for percentages*

Product	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Motor	21,508	80.6%	17,840	79.4%
Accident and short-term health	2,016	7.6%	1,717	7.6%
Commercial property	918	3.4%	906	4.0%
Liability	825	3.1%	686	3.1%
Marine hull	316	1.2%	291	1.3%
Agricultural	162	0.6%	62	0.3%
Others <sup>1</sup>	940	3.5%	957	4.3%
<b>Total</b>	<b>26,685</b>	<b>100.0%</b>	<b>22,459</b>	<b>100.0%</b>

Note: 1. Others include, among others, credit insurance, engineering insurance, cargo insurance, specialty insurance, household and surety insurance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Motor Insurance

In 2015, gross written premiums from our primary P&C insurance segment amounted to RMB21,508 million, representing a year-on-year increase of 20.6%.

In 2015, we continued to implement the strategy of “identifying, controlling and introducing”, while focusing on “identifying” and “introducing”, to optimise business structure. The percentage of family cars business, volume of business for which no claim is filed and business excluding vehicle damage coverage continued to increase. The percentage of claims filed and annual policy loss ratio were both at the lowest level for the recent four years.

## Accident and Short-term Health Insurance

In 2015, gross written premiums from accident and short-term health insurance of our primary P&C insurance segment amounted to RMB2,016 million, representing a year-on-year increase of 17.4%, of which gross written premiums from accident insurance was RMB1,127 million, representing a year-on-year increase of 16.2%; gross written premiums from short-term health insurance was RMB685 million, representing a year-on-year increase of 13.2%; and gross written premiums from critical illness insurance was RMB204 million, representing an increase of 43.7%.

In 2015, we accelerated the implementation of close-end management of underwriting and claims settlement for accident and short-term health insurance products, and boosted the service capacity and performance at our headquarters through our efforts. In the meantime, we focused on the “vehicle + person” sales model, students and children accident insurance and medical insurance to drive comprehensive development.

## Commercial Property Insurance

In 2015, due to downward Chinese macro-economy, premium income from the commercial property insurance market decreased. In 2015, gross written premiums from our commercial property insurance amounted to RMB918 million, representing a year-on-year increase of 1.3%, achieving a performance better than industry average.

## Liability Insurance

In 2015, gross written premiums from liability insurance of our primary P&C insurance segment amounted to RMB825 million, representing a year-on-year increase of 20.3%. In particular, new types of liability insurance such as action reservation insurance, vehicle lessee and driving service insurance and 25-year photovoltaic quality insurance achieved strong growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Marine Hull Insurance

Due to downward Chinese macro-economy and decrease in global shipping volume, premium income from the marine hull insurance market in the P&C insurance market decreased. In 2015, by means of vigorously developing insurance business with large fleets and state-owned shipyards and bringing forth ocean engineering construction projects' risk insurance, gross written premiums from marine hull insurance of our primary P&C insurance segment amounted to RMB316 million, representing a year-on-year increase of 8.6%. Our marine hull insurance business achieved superior growth than industry average.

### Agricultural Insurance

In 2015, gross written premiums from agricultural insurance of our primary P&C insurance segment amounted to RMB162 million, representing a year-on-year increase of 161.3%. In 2015, China Continent Insurance won the bid for a large policy agricultural insurance order, leading to the significant increase in premium income from agricultural insurance sector.

### Analysis of Operation by Channel

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

*Unit: RMB in millions, except for percentages*

Channel	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Insurance agents	13,525	50.9%	13,093	58.6%
Of which: individual insurance agents	6,346	23.9%	6,244	27.9%
ancillary insurance agencies	4,907	18.5%	4,909	22.0%
professional insurance agencies	2,272	8.5%	1,940	8.7%
Direct sales	11,625	43.7%	7,919	35.4%
Insurance brokers	1,439	5.4%	1,346	6.0%
<b>Total</b>	<b>26,589</b>	<b>100.0%</b>	<b>22,358</b>	<b>100.0%</b>

In 2015, we continued to accelerate the development of telesales and online sales of our primary P&C insurance business segment by changing the e-commerce business centre to an e-commerce division with more delegated power to improve operational efficiency. Original premium income from telesales and online channel amounted to RMB7,815 million in 2015, representing a year-on-year increase of 44.1%; premium income accounted for 29.4%, which is 5.1 percentage points higher than last year, resulting in a significant increase in the contribution from the direct sales channel.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Original Premium Income by Region

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

*Unit: RMB in millions, except for percentages*

Region	For the Year Ended 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Shandong	2,411	9.1%	2,096	9.4%
Zhejiang	2,290	8.6%	1,956	8.7%
Yunnan	2,153	8.1%	1,825	8.2%
Shanghai	1,676	6.3%	1,274	5.7%
Guangdong	1,479	5.6%	1,228	5.5%
Inner Mongolia	1,347	5.1%	1,130	5.1%
Sichuan	1,141	4.3%	994	4.4%
Jiangsu	1,074	4.0%	877	3.9%
Jiangxi	946	3.6%	758	3.4%
Anhui	943	3.5%	731	3.3%
Others	11,129	41.8%	9,489	42.4%
<b>Total</b>	<b>26,589</b>	<b>100.0%</b>	<b>22,358</b>	<b>100.0%</b>

## Combined Ratio

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

	For the Year Ended 31 December	
	2015	2014
	(%)	(%)
Loss ratio	55.4	59.0
Expense ratio	45.9	40.8
<b>Combined ratio</b>	<b>101.3</b>	<b>99.8</b>

In 2015, the combined ratio of our primary P&C insurance business segment was 101.3%, representing a year-on-year increase of 1.5 percentage points, due to the explosion accident in Tianjin. The expense ratio increased by 5.1 percentage points year-on-year, due to the continuous increase in marketing expenses as a result of more intense market competition, as well as the decrease in reinsurance commission income as a result of the explosion accident in Tianjin; the loss ratio decreased by 3.6 percentage points year-on-year, as our primary P&C insurance business segment's measures to select quality business and accurately incur marketing expenses continued to achieve strong results, which offset the adverse impact of the explosion accident in Tianjin.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: RMB in millions, except for percentages*

	For the Year Ended		Change
	31 December		
	2015	2014	
Gross written premiums	26,685	22,459	18.8%
Less: premiums ceded	(2,113)	(1,943)	8.7%
Net written premiums	24,572	20,516	19.8%
Change in unearned premium reserves	(1,659)	(1,082)	53.3%
Net premiums earned	22,913	19,434	17.9%
Reinsurance commission income	581	618	(6.0%)
Investment income	2,363	1,160	103.7%
Exchange gains/(losses), net	34	(2)	(1,800.0%)
Other income	107	127	(15.7%)
Total income	25,998	21,337	21.8%
Claims and policyholders' benefits	(12,689)	(11,473)	10.6%
Handling charges and commissions	(2,617)	(2,232)	17.2%
Finance costs	(16)	(42)	(61.9%)
Other operating and administrative expenses	(8,905)	(6,450)	38.1%
Total benefits, claims and expenses	(24,227)	(20,197)	20.0%
Share of profits of associates	0.2	6	(96.7%)
Profit before tax	1,771	1,146	54.5%
Income tax	(419)	(273)	53.5%
Net profit	1,352	873	54.9%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 18.8% from RMB22,459 million in 2014 to RMB26,685 million in 2015, mainly due to the rapid growth of motor insurance, liability insurance, accident insurance and agricultural insurance as more efforts were put in channel expansion, sales team building and product development in light of the overall steady development of the primary P&C insurance industry.

## Premiums Ceded

Premiums ceded for our primary P&C insurance segment increased by 8.7% from RMB1,943 million in 2014 to RMB2,113 million in 2015, mainly due to the increase in premiums ceded as a result of steady business growth.

## Reinsurance Commission Income

Reinsurance commission income from our primary P&C insurance segment decreased by 6.0% from RMB618 million in 2014 to RMB581 million in 2015, mainly due to the year-on-year decrease in reinsurance commission income as a result of the payment of reinsurance commissions in respect of the 2015 Tianjin explosions along with the steady growth of premiums ceded in 2015.

## Investment Income

Investment income from our primary P&C insurance segment increased by 103.7% from RMB1,160 million in 2014 to RMB2,363 million in 2015, which was mainly because investment income was increased significantly following the surge in the PRC capital market in 2015.

## Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 10.6% from RMB11,473 million in 2014 to RMB12,689 million in 2015, mainly due to the increase in claims as business size grew and the claims settled in relation to the Tianjin explosions in 2015.

## Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 17.2% from RMB2,232 million in 2014 to RMB2,617 million in 2015, which was in line with the growth of our business.

## Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment increased by 54.9% from RMB873 million in 2014 to RMB1,352 million in 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ASSET MANAGEMENT

As at 31 December 2015, the total investment assets of the Group was RMB163,138 million, including RMB146,570 million under the management of China Re AMC. In addition, China Re AMC also managed assets of third parties of RMB46,296 million.

In 2015, the Chinese stock markets experienced wide fluctuations while the interest rates of bonds dropped significantly. In face of increasingly complex market conditions, we adhered to the investment philosophy of prudence and long-term value investment and followed the thinking of strengthening risk management and control while refining management through selective investment and enhanced active management. As a result, our overall investment income further increased and the returns on major asset classes largely exceeded targets.

In 2015, we promoted the establishment of a specialised investment platform and made impressive progress in the development of our asset management segment. China Re AMC established China Re AMC HK to set up an international investment platform for China Re Group. As for innovative businesses, alternative investment business continued to promote equity investments and real estate investments and diversified business presence by expanding investments into overseas real estate funds while steadily promoting post-investment management of existing projects. Innovations were made for the insurance asset management products development business, which received the first prize of the first “Insurance Asset Management Product Innovation Contest” held by the Insurance Asset Management Association of China. For third party asset management business, breakthroughs were made in active management products and fixed-income investment advisory business recorded steady growth.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment Portfolio

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

*Unit: RMB in millions, except for percentages*

Investment assets	As at 31 December			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Cash and short-term time deposits	20,448	12.5%	7,904	5.7%
Fixed-income investments	106,542	65.3%	102,778	74.0%
Time deposits	27,890	17.0%	31,962	23.0%
Bonds	48,586	29.8%	44,144	31.8%
Government bonds	183	0.1%	182	0.1%
Financial bonds	7,311	4.5%	6,915	5.0%
Enterprise (corporate) bonds	32,649	20.0%	27,303	19.7%
Subordinated bonds	8,443	5.2%	9,744	7.0%
Investments classified as loans and receivables	13,810	8.5%	12,945	9.3%
Other fixed-income investments <sup>1</sup>	16,256	10.0%	13,727	9.9%
Equity and investment funds	30,610	18.8%	22,358	16.1%
Investment funds <sup>2</sup>	18,504	11.4%	12,704	9.2%
Stocks	10,627	6.5%	9,354	6.7%
Unlisted equity shares	1,479	0.9%	300	0.2%
Investment properties	3,192	2.0%	433	0.3%
Investments in associates	8,817	5.4%	7,709	5.6%
Less: securities sold under agreements to repurchase	(6,471)	(4.0%)	(2,309)	(1.7%)
<b>Total investment assets</b>	<b>163,138</b>	<b>100.0%</b>	<b>138,873</b>	<b>100.0%</b>

Notes: 1. Primarily including financial assets held under resale agreements, statutory deposits and policy loans;

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the external credit rating status of the bonds under the management of China Re AMC entrusted by China Re Group in terms of market value:

Bonds	Percentage by market value as at 31 December 2015
Exempt from rating <sup>1</sup>	18.1%
AAA	75.1%
AA+	6.8%
AA	0.0%
<b>Total</b>	<b>100.0%</b>

Note: 1. Primarily PRC government bonds and bonds issued by policy banks.

The following table sets forth the composition of the investment fund assets under the management of China Re AMC entrusted by China Re Group in terms of market value:

Investment funds	Percentage by market value as at 31 December 2015
Monetary funds	51.3%
Bond funds	18.3%
Senior tranche of structured index funds	9.6%
Equity funds	20.8%
<b>Total</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment Performance

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

*Unit: RMB in millions, except for percentages*

Investment income	For the Year Ended 31 December	
	2015	2014
Cash and fixed-income investments	5,751	5,862
Interest income	5,711	5,461
Realised gains/(losses)	21	354
Unrealised gains/(losses)	19	47
Impairment loss	–	–
Equity and investment funds	5,824	(336)
Dividend income	705	314
Realised gains/(losses)	5,236	(658)
Unrealised gains/(losses)	(48)	8
Impairment loss	(69)	–
Rental income from investment properties	44	41
Investment income from investment in associates	1,333	2,960
Less: interest expenses related to securities sold under agreements to repurchase	(141)	(130)
Total investment income	12,811	8,397
Total investment yield (%) <sup>1</sup>	8.48	6.54
Net investment income	7,716	6,710
Net investment yield (%) <sup>2</sup>	5.11	5.22

Notes: 1. Ratio of total investment income to the average of 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INSURANCE INTERMEDIARY

In 2015, Huatai Insurance Agency followed the guiding principle of “market-oriented development, systematic management and professional services” and the goal of “introducing innovations in development, management and services” and maintained strong performance in overall development and business growth.

Revenue from our insurance intermediary business in 2015 amounted to RMB188 million, representing a year-on-year increase of 21.3% and profit before tax was RMB7.063 million, representing a year-on-year increase of 2.9%.

## SOLVENCY

The Group calculates and discloses actual capital, minimum regulatory capital and solvency margin ratio in accordance with the requirements of the CIRC. The following table sets forth the solvency margin ratios of the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group as at the dates indicated:

*Unit: RMB in millions, except for percentages*

	As at 31 December		Change
	2015	2014	
<b>China Re Group</b>			
Actual capital	59,178	44,296	33.6%
Minimum regulatory capital	25,189	17,846	41.1%
Solvency margin ratio	235%	248%	Decrease of 13 percentage points
<b>Group Company</b>			
Actual capital	56,722	51,484	10.2%
Minimum regulatory capital	1,208	316	282.3%
Solvency margin ratio	4,695%	16,309%	Decrease of 11,614 percentage points
<b>China Re P&amp;C</b>			
Actual capital	12,460	10,033	24.2%
Minimum regulatory capital	4,076	4,617	(11.7%)
Solvency margin ratio	306%	217%	Increase of 89 percentage points
<b>China Re Life</b>			
Actual capital	18,870	8,881	112.5%
Minimum regulatory capital	8,882	3,275	171.2%
Solvency margin ratio	212%	271%	Decrease of 59 percentage points
<b>China Continent Insurance</b>			
Actual capital	7,584	7,037	7.8%
Minimum regulatory capital	3,686	3,088	19.4%
Solvency margin ratio	206%	228%	Decrease of 22 percentage points

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2015, the Group, the Group Company and each of our reinsurance and insurance subsidiaries all met the minimum solvency margin ratio requirements stipulated by the CIRC.

As at 31 December 2015, the solvency margin ratio of China Re Group was 235%, representing a decrease of 13 percentage points from 31 December 2014, mainly due to the increase in actual capital following the listing of China Re Group as a whole in 2015 and the increase in minimum regulatory capital, which was higher than the increase in actual capital, as a result of the steady growth of its each line of business.

As at 31 December 2015, the solvency margin ratio of the Group Company was 4,695%, representing a decrease of 11,614 percentage points from 31 December 2014, mainly due to the significant increase in minimum regulatory capital, which was higher than the increase in actual capital, as the Group Company received large-sum business ceded from China Re P&C and China Re Life in 2015.

As at 31 December 2015, the solvency margin ratio of China Re P&C was 306%, representing an increase of 89 percentage points from 31 December 2014, mainly due to the increase in actual capital as a result of investment income and underwriting profit, as well as the decrease in minimum regulatory capital as a result of the decrease in retained premiums scale.

As at 31 December 2015, the solvency margin ratio of China Re Life was 212%, representing a decrease of 59 percentage points from 31 December 2014, mainly because the increase in actual capital as a result of investment income and underwriting profit was surpassed by the increase in minimum regulatory capital due to enlarged business scale.

As at 31 December 2015, the solvency margin ratio of China Continent Insurance was 206%, representing a decrease of 22 percentage points from 31 December 2014, mainly because the increase in actual capital as a result of high investment income was surpassed by the increase in minimum regulatory capital due to enlarged business scale.

### EXCHANGE RATE FLUCTUATION RISK

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

### DETAILS OF ASSETS CHARGED

During the Reporting Period, details of assets charged of the Group are set out in Note 39 to the financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENCIES

As at the end of the Reporting Period, the Group has issued the following guarantees:

As at 31 December 2015, the Group provided maritime guarantee of RMB1,894 million (31 December 2014: RMB2,006 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

China Re UK, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 since 2011. As at 31 December 2015, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP80 million (31 December 2014: GBP80 million).

## MAJOR EVENTS

### Material Litigation and Arbitration

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

### Material Connected Transactions

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

Except for the exempt continuing connected transaction under Rule 14A.97 of the Hong Kong Listing Rules in relation to the sale of P&C insurance products by China Continent Insurance, a subsidiary controlled by the Company, to our connected persons, no continuing connected transaction was conducted by the Group during the Reporting Period.

In addition, the related-party transactions set out in Note 50 to the financial statements do not constitute the connected transactions under the Hong Kong Listing Rules. Therefore, they do not need to comply with the requirements of reporting, announcement or independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

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

For the period from the Listing Date to 31 December 2015, the Company and Central Huijin, the controlling shareholder, have complied with the undertakings made by them as set out in the prospectus of the Company. For details of the relevant undertakings, please refer to the sections headed "Substantial Shareholders" and "Share Capital" in the prospectus of the Company.

### Other Major Event

#### Establishment of an E-commerce Subsidiary by China Continent Insurance

During the Reporting Period, China Continent Insurance, a subsidiary controlled by the Company, applied to establish a wholly-owned subsidiary, Continent E-commerce Co., Ltd. (大地電子商務有限公司), which has completed the industrial and commercial registration and obtained its business license.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

### Market Environment

The PRC insurance industry experienced strong growth in 2015. According to data published by the CIRC, in 2015, original premium income in the PRC reached RMB2,428.252 billion, representing a year-on-year increase of 20.0%, of which original premium income from P&C insurance companies was RMB842.326 billion, representing a year-on-year increase of 11.7% and original premium income from life and health insurance companies was RMB1,585.913 billion, representing a year-on-year increase of 25.0%. As at 31 December 2015, total assets of the insurance industry reached RMB12,359.776 billion, representing an increase of 21.7% from the beginning of the year.<sup>1</sup>

Looking forward to 2016, China is still under the development period of important strategic opportunity and there is no major change on the bright side of economic development growth. According to the speech given by Mr. Xiang Junbo, Chairman of the CIRC, at the national insurance regulatory work meeting for 2016, there is no change on the excellent basis and conditions for the continuous growth of China insurance sector, there is no change on the bright side of economic development growth, and there is no change on the golden growth period of the industry development. Despite of the uncertainties brought by factors such as complexity and volatility of the domestic and international financial markets, the slowing down of the macro economy, transformation and upgrade of real economy and the slow recovery of export sector, the supply-side structural reforms and the full implementation of the “New Ten Guidelines” in the insurance industry have brought new development opportunities to the insurance sector, hence development opportunities and challenges co-exist in the insurance sector.

For the trend of the regulatory development, according to the speech given by Mr. Xiang Junbo at the national insurance regulatory work meeting for 2016 published by the CIRC, in 2016, the CIRC will closely capitalise on the principle line of supply-side reform, strive to improve the quality of insurance services supplied to serve people’s needs, generate new supply momentum through deepening reform, lay the foundation for the supply-side reform by way of risk prevention and fulfill its key and difficult tasks of insurance reform and development. The insurance companies will face the following changes in regulation: firstly, insurance companies will meet opportunities for development of critical illness insurance, catastrophe insurance, and preferential personal taxation insurance and personal tax-deferred pension; secondly, the market oriented development of commercial motor insurance will be further accelerated, and the pricing reform for accident insurance will commence. The entry and exit mechanism for the insurance market will be further improved, and the market-oriented reform of capital utilisation will be well established; thirdly, with the formal implementation of the “C-ROSS” regime, the CIRC will further enhance risk prevention and control in the insurance industry.

Note: 1. Source: 2015 Insurance Statistics Report: <http://www.circ.gov.cn/web/site0/tab5257/info4014824.htm>

## MANAGEMENT DISCUSSION AND ANALYSIS

For the primary P&C insurance market, it is expected the industry growth would slow down in 2016. While the industry is adversely affected by the downward economy, structural development opportunities occurred. On one hand, traditional high consumption industry accelerated de-capacity, de-stocking and de-leverage which brought new challenges to the development of traditional insurance industry; on the other hand, new sectors such as policy-supported insurance type, people's livelihood oriented insurance type and insurance type related to internet are hopefully developing rapidly; with the full implementation of the reform of the setting of premium rate for commercial motor insurance, the motor insurance industry requires higher standard on detailed management. In addition, capital outside the industry flows into the industry speedily. The competitive landscape of insurance market is remodeling which changes the form of competition from products to integrated operation system.

For the primary life and health insurance market, it is expected that the momentum of rapid growth in the industry in overall will be maintained in 2016, and savings-type and investment type products will be in a dominant position. The development of new types of products such as accident insurance and health insurance will be further accelerated. The promulgation of favourable policies for medical reform, taxation support and pension protection and support from new technologies, will create vast potential for the development of health and pension insurance and related services and generate new growth drivers. The new business model such as internet insurance, "big-data" technologies and O2O, could effect and trigger new business growth on traditional operation.

For the P&C reinsurance, it is expected that the domestic market will enter into a key period of development transformation in 2016. While facing pressure from scale expansion, development opportunities occurred during the structural adjustment. On one hand, affected by the implementation of the C-ROSS regime, the demand for motor reinsurance is expected to decrease, the structure of reinsurance business shifts to non-motor insurance which enlarged the operation fluctuation; on the other hand, insurances such as agricultural insurance, liability insurance, credit insurance and health insurance are expected to maintain a fast growth; catastrophe insurance is expected to develop new breakthrough; the accelerated innovation of the original insurance market provides rooms for reinsurers to grasp new opportunities in the market through utilising their advantages of techniques, data and talents. The competition form of reinsurer changed from the main domination of capital to the variety of capital, business model, technologies, brand and solvency. For the international market, it is expected that the capital remains adequate in supply in 2016, causing pressure on the rate of international reinsurance market; however, the downward trend is expected to be alleviated.

For the life and health reinsurance, it is expected that the opportunities and challenges both exist in the domestic market in 2016. The cooperation in R&D of the new health insurance and accident insurance as well as the new risk reinsurance, especially the implementation of preferential tax policy on health insurance and the promotion on the trial of individual tax deferred pension insurance are expected to trigger a new round of summit on business development; the cost of savings-type business may be decreased and the demand for financial reinsurance under the implementation of C-ROSS regime will remain. For the international market, it is expected that the demand for policies denominated in RMB may decrease and the demand for policies denominated in foreign currencies will increase along with the period of increasing interest rate and appreciation of US dollar. There is room for development of savings-type reinsurance business denominated in foreign currencies like US dollar; the demand for the non-traditional business gradually increased. The proportion of longevity risk and financial reinsurance increases on a year-over-year basis. There may be opportunities for large transactions of in-force business.

# MANAGEMENT DISCUSSION AND ANALYSIS

For capital market, it is expected that the movement in the domestic market in 2016 will depend on the fundamental improvement and the reform progress. In view of the acceleration of economic restructuring, the periodic pain for structural adjustment and the intensifying downward pressure on economy, the accumulated contradictions and risks will be further revealed. Although the steady growth and structure adjustment measures will implement at the same time, it is difficult to revive the economy in the short term. For the international market, under the backdrop of in-depth economic adjustment and weakness in the economic recovery around the world, differentiation in global monetary policies, fluctuation in financial and commodity market and increasing unstable and uncertain factors in the external environment, the international market is facing the risk of instability.

## Business Development Strategies for 2016

The Group's business development strategies for 2016 are to actively cope with the changes in regulatory policies and market landscape. While consolidating our competitive strengths in traditional areas, we will take the initiative to actively adjust our risk strategy, advance the transformation and upgrading of our business structure and business model, and constantly explore new business areas and growth drivers by way of innovations and growth.

In line with our overall development strategy, our reinsurance segment will rely on our dominant position in the PRC market and actively respond to changes in the market. While consolidating our competitive strengths in traditional areas, we will moderately adjust business risk strategy to capture the opportunities brought by the adjustment to market structure and optimise our business structure. We will drive our development with innovations, actively seek new growth drivers, identify and cultivate new market demand, and make strategic planning for new business areas. We will also continue to reinforce risk management and keep business risk exposure under strict control. Our primary P&C insurance segment will actively respond to the commercial motor insurance pricing reform. Based on effective risk control, we will focus on new business and new channels, actively participate in and plan for policy-driven business, seek opportunities for development of innovative business, continue to develop our competitive strengths in order to establish a comprehensive primary insurance operation system. Our asset management segment will adhere to the philosophy of steady and prudent investments, and establish an investment risk management and control mechanism under the C-ROSS regime. We will promote the market-oriented development of asset management system and boost the establishment of a professional asset management platform.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

Name	Age	Position	Date of appointment	Duties
LI Peiyu (李培育) <sup>1</sup>	52	Executive Director and Chairman	September 2010	Overall management of the Company
WANG Pingsheng (王平生)	58	Executive Director and Vice Chairman	August 2012	Responsible for overseeing the management of the general office and general administrative department of the Company
ZHANG Hong (張泓)	51	Executive Director	August 2012	Responsible for overseeing the operational work, the management of the planning & business administrative department and international department of the Company
REN Xiaobing (任小兵)	48	Executive Director	August 2012	Responsible for overseeing the management of the internal control, compliance & legal affairs department, actuarial & risk management department, and information technology department of the Company
LU Xiuli (路秀麗)	51	Non-executive Director	December 2014	Overseeing the overall strategic planning of the Company
SHEN Shuhai (申書海)	56	Non-executive Director	December 2014	Overseeing the overall strategic planning of the Company
WANG Jun (王璿)	43	Independent Non-executive Director	June 2011	Overseeing and providing independent judgment to the Board of Directors
HAO Yansu (郝演蘇)	57	Independent Non-executive Director	December 2014	Overseeing and providing independent judgment to the Board of Directors
LI Sanxi (李三喜)	51	Independent Non-executive Director	December 2014	Overseeing and providing independent judgment to the Board of Directors
MOK Kam Sheung (莫錦嫦)	56	Independent Non-executive Director	August 2015	Overseeing and providing independent judgment to the Board of Directors

Note: 1. Mr. LI Peiyu resigned as an executive Director, the Chairman and from other positions in the Company on 10 March 2016 due to work commitment.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Supervisors

Name	Age	Position	Date of appointment	Duties
WANG Yonggang (王永刚)	59	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	September 2010	Responsible for supervising finance affairs and the performance of duties
WEI Shiping (魏世平)	43	Shareholder Representative Supervisor	June 2011	Responsible for supervising finance affairs and the performance of duties
ZHU Yong (朱永)	46	Shareholder Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties
CAO Shunming (曹顺明)	41	Employee Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties
LIN Wei (林伟)	50	Employee Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### Senior Management

Name	Age	Position	Date of appointment	Duties
ZHANG Hong (張泓)	51	President	August 2012	Responsible for overseeing the operational work, the management of the planning & business administrative department and international department of the Company
REN Xiaobing (任小兵)	48	Vice President, Compliance Controller	Vice President since August 2012, Compliance Controller since June 2015	Responsible for overseeing the internal control, compliance & legal affairs department, management of the actuarial & risk management department and information technology department of the Company
KOU Riming (寇日明)	57	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 of the Company
YU Qing (余青)	51	Vice President, Board Secretary	March 2009	Responsible for overseeing the management of the office of Board of Directors, asset management department of the Company
LIU Tianyang (劉天洋)	54	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
HE Chunlei (和春雷)	50	Vice President	September 2015	Responsible for overall management of China Continent Insurance
ZHAO Wei (趙威)	44	Assistant to the President	September 2015	Responsible for overseeing the work of general manager office of China Re AMC
ZHANG Xiaohong (張曉紅)	49	Assistant to the President	September 2015	Responsible for overseeing the management of the CNIP business of the Company
TIAN Meipan (田美攀)	41	Chief Actuary	November 2012	Responsible for performing the relevant duties of the Company's chief actuary

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

### Directors

#### Executive Directors

**Mr. LI Peiyu (李培育)**, aged 52, was an executive Director and the Chairman of the Company from September 2010 to March 2016. Mr. Li was 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 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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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). Save as disclosed above, 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 (which was later restructured as China Re P&C). 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 internal control, compliance & legal affairs department, the actuarial & risk management 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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 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 Department 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, dean of the insurance department of the Central University of Finance and Economics from May 2000 to July 2006 and dean of Central University of Finance and Economics, School of Insurance from July 2006 to November 2015. Since December 2015, he has served as director of the PRC insurance market research centre of the Central University of Finance and Economics. 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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Ms. MOK Kam Sheung** (莫錦嫦), aged 56, 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

**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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. WEI Shiping** (魏世平), aged 43, 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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 (which was later restructured as China Re P&C). Since February 2009, Mr. Lin served at the Company as deputy general manager and general manager of the finance management department, then as general manager of the audit department from May 2012 to March 2016. 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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### Senior Management

For the biography of **Mr. ZHANG Hong**, please refer to the paragraphs headed “Executive Directors” above.

For the biography of **Mr. REN Xiaobing**, please refer to the paragraphs headed “Executive Directors” above.

**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 Company’s 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 of the Company. 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.

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**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 Property & Casualty Reinsurance Corporation (which was later restructured as 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 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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**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 centre of China Life Insurance (Group) Company. From June 2004 to April 2006, he served as director of the account management centre 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 of the Company. 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 Life Reinsurance Corporation (which was later restructured as China Re Life). Meanwhile, Ms. Zhang served as the compliance controller of China Life Reinsurance Corporation (which was later restructured as 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.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. TIAN Meipan** (田美攀), aged 41, 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<sup>1</sup>

For the biography of **Ms. YU Qing**, please refer to the paragraphs headed "Senior Management" above.

**Ms. MOK Mingwai** (莫明慧), a joint company secretary of the Company, was appointed as a joint company secretary of the Company since 30 March 2016. Ms. Mok is a director and head of listed company service department of KCS Hong Kong Limited, responsible for providing listed company customers with company secretarial and compliance services. Ms. Mok has over 20 years of experience in the company secretarial field. Ms. Mok holds a degree of master of science in applied accounting and finance and is a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

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

### Change of Directors and Their Information

For the period from the Listing Date to 31 December 2015, there were no changes of Directors or their information.

On 10 March 2016, Mr. LI Peiyu resigned as an executive Director, the Chairman and from other positions in the Company due to work commitment, details of which are set out in the announcement of the Company dated 10 March 2016.

Note: 1. Ms. YUNG Mei Yee resigned as a joint company secretary of the Company on 30 March 2016, and the Company appointed Ms. MOK Mingwai, director and head of listed company service department of KCS Hong Kong Limited, as a joint company secretary of the Company with effect from 30 March 2016.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### Change of Supervisors and Their Information

During the Reporting Period, there were no changes of Supervisors or their information.

In March 2016, Mr. LIN Wei resigned as the general manager of the audit department of the Company due to work commitment.

### Changes of Senior Management and Their Information

During the Reporting Period, changes of senior management of the Company were as follows:

Name	Former position	Existing position	Change
WANG Pingsheng	Executive Director, Vice Chairman and Compliance Controller	Executive Director, Vice Chairman	Ceased to be the Compliance Controller since June 2015.
REN Xiaobing	Executive Director, Vice President	Executive Director, Vice President and Compliance Controller	Appointed as the Compliance Controller, with qualification approved by the CIRC in June 2015.
HE Chunlei		Vice President	Appointed as the Vice President, with qualification approved by the CIRC in September 2015.
ZHAO Wei		Assistant to the President	Appointed as Assistant to the President, with qualification approved by the CIRC in September 2015.
ZHANG Xiaohong		Assistant to the President	Appointed as Assistant to the President, with qualification approved by the CIRC in September 2015.

## EMPLOYEES

As at 31 December 2015, China Re Group had a total of 43,096 employees (including full-time employees and independent contract workers). The Group's staff remuneration comprises three components, namely basic salary, performance bonus and various benefits and subsidies. We always uphold the concept of "highlighting value creation and strengthening motivation and restraints", follow the principle of "remuneration based on position and performance", and have established a market-based remuneration management system of "fairness within the Company, competitiveness compared to external competitors, flexibility and efficiency". We provide employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan to provide employees with more comprehensive benefits.

The Group is devoted to realising a win-win situation of corporate development and employee growth, enhancing its resources invested in talent cultivation, paving the career development path for employees, constructing an "H type" career development plan for employees, providing them with guidance and suggestions on career development by reinforcing the implementation of career development action plan, and promoting the all-rounded development of employees through rotations and secondment.

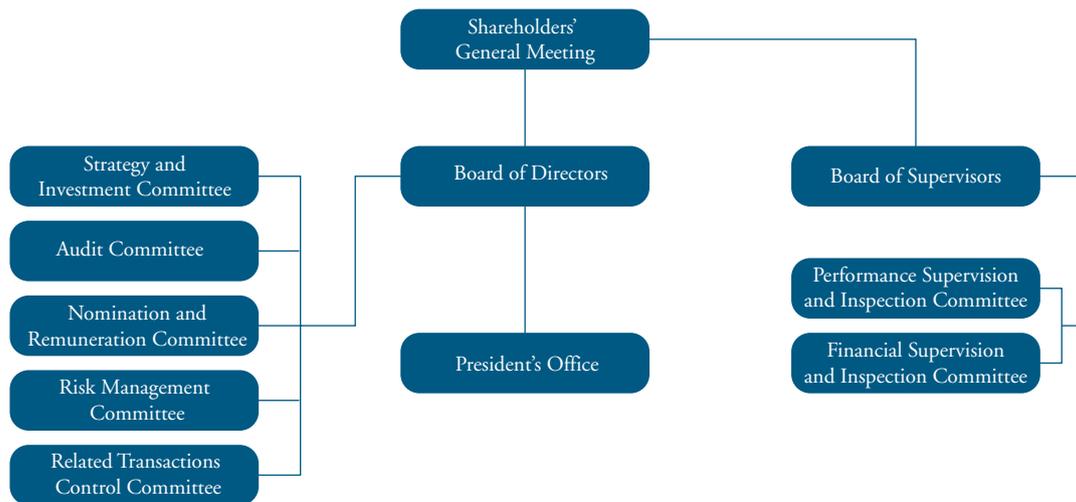
# CORPORATE GOVERNANCE REPORT

## OVERVIEW

The Company has always been in compliance with relevant laws such as the PRC Company Law, the PRC Insurance Law, earnestly performed the requirements of the Hong Kong Listing Rules, the Guided Opinion on Regulating the Corporate Governance Structure of Insurance Companies and the Articles of Association, insisted on the principles of good corporate governance, continuously strived for enhancing the corporate governance standard to ensure the stable development of the Company and to enhance shareholders' value. The Company has adopted the Corporate Governance Code as its corporate governance code.

The H shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 26 October 2015. The Corporate Governance Code has been applicable to the Company since the Listing Date. For the period from the Listing Date to 31 December 2015, the Company has been in compliance with the code provisions stipulated in the Corporate Governance Code and adopted recommended best practices under appropriate circumstances.

The corporate governance structure chart of the Company is set out below:



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' GENERAL MEETING

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 of Directors; (4) to consider and approve reports of the Board of Supervisors; (5) to consider and approve annual financial budgets and final accounts of the Company; (6) to consider and approve proposals for profit distribution and 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, the Board of Directors 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-party transactions required to be approved by the shareholders' general meetings 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 the shareholders' general meetings; and (19) to consider other matters that are to be determined at the shareholders' general meeting as required by the PRC laws, administrative regulations, regulatory requirements and the Articles of Association.

During the Reporting Period, the Company convened six shareholders' general meetings and the major matters put forward for consideration and approval at the meetings included:

- considering and approving the amendments to the Articles of Association;
- considering and approving the proposal for election of independent non-executive Directors;
- considering and approving the reports of the Board of Directors and the Board of Supervisors for the year 2014;
- considering and approving the final accounting report of Company for the year 2014;
- considering and approving the Company's profit distribution plan for the year 2014;
- considering and approving the Company's operation plan for the year 2015;
- considering and approving the Company's budget proposal for the year 2015;
- considering and approving the amendments to the procedure rules for the shareholders' general meetings, the Board of Directors and the Board of Supervisors of the Company;
- considering and approving the amendments to the Measures on Authorisation Management and the plan for authorisation to the Board granted by shareholders' general meetings;

# CORPORATE GOVERNANCE REPORT

- considering and approving the remuneration packages and remuneration-related matters of independent non-executive Directors of the third session of the Board;
- considering and approving the remuneration packages and payment of the relevant Directors and Supervisors of the Company for the year 2013;
- considering and approving the proposal for the Company's initial public offering and listing of overseas listed foreign shares (H shares) and the relevant authorisation matters;
- considering and approving the proposal for the authorisation on arranging personnel liability insurance and liability insurance for prospectus disclosure for Directors, Supervisors and senior management of the Company;
- considering and approving the proposal for distribution of accumulated distributable retained profits of the Company prior to the issue of H shares.

On 2 February 2016, the Company held its first extraordinary general meeting for 2016, at which the resolution on the re-appointment of KPMG Huazhen LLP as the domestic auditor of the Company for the year 2015 and the appointment of KPMG as the overseas auditor of the Company for the year 2015 was approved.

## Methods of Convening Extraordinary General Meetings and Proposing Resolutions by Shareholders

According to the Articles of Association, any shareholder(s), whether individually or in aggregate, holding 10% or more of the outstanding shares of the Company with voting rights may request in writing to convene an extraordinary general meeting and such shareholder(s) shall submit the proposal(s) of the meeting and the full bill(s) in writing to the Board. If the Board holds the view that the proposal(s) complies with the requirements under the national laws, administrative regulations, regulatory requirements and the Articles of Association, it shall issue a notice of shareholders' general meeting within five days after the resolution of the Board.

For details of the procedures for nomination of candidates for Directors by shareholders, please refer to the website of the Company. Specific enquiries and suggestions by shareholders can be sent in writing to the Board at the Company's registered address or by e-mail to the Company. In addition, if the shareholders have any enquiries about the shareholdings and entitlement to dividend, they can contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, the contact details of which are set out in the section headed "Corporate Information" of this annual report.

When shareholders' general meetings are held by the Company, shareholders individually or in aggregate holding 3% or more of the outstanding shares of the Company with voting rights have the right to make proposals in writing. The proposing shareholders may raise interim proposals and submit the same to the convenor of the shareholders' general meeting 10 days prior to the date 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 functions and powers of the shareholders' general meetings, and shall contain specific subjects and concrete matters for approval.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

The Board is a decision-making organ of the Company and shall be responsible for the shareholders' general meetings. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors and Supervisors at least 15 days before the date of meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors and Supervisors at least seven days before the date of meeting (excluding the date of the meeting). In the event of an emergency, the convening of an extraordinary meeting is not subject to the aforementioned time limit of notification for the meeting, but reasonable notice shall be given.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders during their terms of office.

### Composition

For the period from the Listing Date to 31 December 2015, the Board comprised 10 Directors (see "Directors, Supervisors, Senior Management and Employees" in this annual report for the profiles of Directors), consisting of four executive Directors, two non-executive Directors and four independent non-executive Directors. Directors serve a term of three years and may serve consecutive terms if re-elected. Details are as follows:

Name	Position	Date of appointment
LI Peiyu <sup>1</sup>	Chairman, Executive Director	10 September 2010
WANG Pingsheng	Vice Chairman, Executive Director	23 August 2012
ZHANG Hong	Executive Director	23 August 2012
REN Xiaobing	Executive Director	23 August 2012
LU Xiuli	Non-executive Director	29 December 2014
SHEN Shuhai	Non-executive Director	29 December 2014
WANG Jun	Independent non-executive Director	24 June 2011
HAO Yansu	Independent non-executive Director	29 December 2014
LI Sanxi	Independent non-executive Director	29 December 2014
MOK Kam Sheung	Independent non-executive Director	6 August 2015

For the period from the Listing Date to 31 December 2015, the Board has been at all times in compliance with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules which stipulate that at least three independent non-executive directors and at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise, and with Rule 3.10A of the Hong Kong Listing Rules which specifies that an issuer must appoint independent non-executive directors representing at least one-third of the board.

Note: 1. Mr. LI Peiyu resigned as an executive Director, the Chairman and from other positions in the Company on 10 March 2016 due to work commitment.

# CORPORATE GOVERNANCE REPORT

All Directors (including independent non-executive Directors) have brought a variety of valuable working experiences and expertise to the Board to enable the Board to effectively perform its functions. All Directors have agreed to disclose to the Company in a timely manner the number, nature, position, duration of office at other listed companies or institutions and other major appointments in accordance with the requirements of the Corporate Governance Code.

## Corporate Governance Functions

The Company is committed to maintaining the highest level of corporate governance and the Board is an important body to maintain sound corporate governance. The corporate governance functions of the Board and its specialised committees include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## Duties and Responsibilities

The Board shall be responsible for the shareholders' general meeting, and its main responsibilities include, but are not limited to:

- (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 increase or reduction of the registered capital or proposals for the issue of bonds, shares, warrants or other securities or the listing of the Company;
- (8) formulating plans for the acquisition 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 the Board 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 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 committee 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

# CORPORATE GOVERNANCE REPORT

of information of the Company; (17) proposing to the shareholders' general meeting on the appointment or removal of accounting firms which provide regular statutory audit on the financial statements of the Company; (18) considering and approving, or authorising the Related Transactions Control Committee under the Board to approve related-party 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, acquisition of assets, disposal and write-off of assets, external guarantees and external donations within the scope of the authorisation of the shareholders' general meeting; and (20) exercising such other functions and powers as granted by the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and as empowered by the shareholders' general meeting.

## Summary of Work Undertaken

During the Reporting Period, the Directors' attendance records of the onsite shareholders' general meeting were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person
LI Peiyu	6/6	100%
WANG Pingsheng	6/6	100%
ZHANG Hong	6/6	100%
REN Xiaobing	6/6	100%
LU Xiuli	6/6	100%
SHEN Shuhai	6/6	100%
WANG Jun	6/6	100%
HAO Yansu	4/6	67%
LI Sanxi	6/6	100%
MOK Kam Sheung	1/1	100%

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Directors' attendance records of Board meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person	Attended by proxy/ eligible to attend	Percentage of attendance by proxy
LI Peiyu	9/9	100%	0/9	0
WANG Pingsheng	9/9	100%	0/9	0
ZHANG Hong	9/9	100%	0/9	0
REN Xiaobing	9/9	100%	0/9	0
LU Xiuli	8/9	89%	1/9	11%
SHEN Shuhai	9/9	100%	0/9	0
WANG Jun	9/9	100%	0/9	0
HAO Yansu	8/9	89%	1/9	11%
LI Sanxi	9/9	100%	0/9	0
MOK Kam Sheung	3/3	100%	0/3	0

During the Reporting Period, the third session of the Board held a total of nine meetings, at which 85 resolutions were considered and approved and 11 reports were received. During the decision-making process, the Board has constantly kept the reform and development of the Company in mind, strictly controlled operational risk, attached great importance to improving strategic decision-making in order to enable the Company to further improve its fundamental management and to continue optimising its resource allocation, with new progress and breakthroughs made in many areas. With the listing of the Group as a whole, the overall competitiveness of the Company has been effectively enhanced and its strategic objectives for the "Twelfth Five-Year" period have been successfully completed.

## Directors

### Responsibility with Respect to Financial Statements

The management of the Company has provided to the Board necessary explanations and information enabling all Directors to consider the Company's consolidated financial statements, which are submitted to the Board for approval. The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall reflect a true and fair view of the business operations of the Company by implementing proper accounting policies in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and implementing the accounting regulations issued by the Ministry of Finance and CIRC subject to compliance with the International Financial Reporting Standards.

The Board has confirmed that it is responsible for the preparation of the financial statements of the Company for the year ended 31 December 2015. The Company is not subject to any material uncertainties or circumstances which might cast significant doubt on the Company's ability to continue as a going concern.

# CORPORATE GOVERNANCE REPORT

## Securities Transactions

For the period from the Listing Date to 31 December 2015, in respect of dealings in securities by Directors and Supervisors, the Company has adopted the Model Code for Securities Transactions. Upon enquiries by the Company, all the Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code for Securities Transactions for the period from the Listing Date to 31 December 2015.

## Training of Directors

During the Reporting Period, all Directors (Mr. LI Peiyu, Mr. WANG Pingsheng, Mr. ZHANG Hong, Mr. REN Xiaobing, Ms. LU Xiuli, Mr. SHEN Shuhai, Ms. WANG Jun, Mr. HAO Yansu, Mr. LI Sanxi and Ms. MOK Kam Sheung) were actively involved in continuous improvement in professional development, and participated in various kinds of training activities relating to corporate governance and the Hong Kong Listing Rules which were organised by the shareholders, regulatory authorities, industrial organisations and the Company, so as to develop and update their knowledge and skills and improve their performance ability, with an aim of making positive contributions to the Board with comprehensive information under appropriate circumstances.

## Chairman/Vice Chairman/President

The Chairman of the Company for 2015 was Mr. LI Peiyu. The Chairman is responsible for providing leadership to the Board, ensuring that the Company has good corporate governance practices and procedures, and maintaining the effective operation of the functions of Board.

The Vice Chairman of the Company for 2015 was Mr. WANG Pingsheng. The Vice Chairman will perform the duties of the Chairman if the Chairman cannot or does not perform his duties.

The President of the Company for 2015 was Mr. ZHANG Hong. The President is responsible for leading the operational management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of the Vice President of the Company and other senior management (other than the Board Secretary). Details of the duties and responsibilities of the Chairman, Vice Chairman and President are set out in the Articles of Association.

## Term of Office of Non-executive Directors

The term of office of non-executive Directors (including independent non-executive Directors) is three years.

## Independence of Independent Non-Executive Directors

All independent non-executive Directors have complied with the independence guidance requirements set out in Rule 3.13 of the Hong Kong Listing Rules and have submitted their letters of confirmation regarding their independence. As such, the Company considers that all independent non-executive Directors are still independent.

## Nomination of Directors

The Nomination and Remuneration Committee of the Board first reviews the candidates for Directors in accordance with laws, regulations, regulatory documents, regulatory requirements and the Articles of Association and then makes recommendations to the Board.

# CORPORATE GOVERNANCE REPORT

## Remuneration of Directors

The Board has established the Nomination and Remuneration Committee with written terms of reference. The Nomination and Remuneration Committee comprises two non-executive Directors, being Mr. SHEN Shuhai (vice chairman) and Ms. LU Xiuli, and three independent non-executive Directors, being Ms. WANG Jun (chairman), Mr. LI Sanxi and Ms. MOK Kam Sheung.

The Directors receive remuneration in the form of basic salaries, Directors' fees, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind. The Articles of Association provide that the ordinary remuneration of Directors shall be determined by the shareholders' general meetings from time to time. The fees of independent non-executive Directors shall be proposed by the Board and approved by the shareholders' general meetings. The Articles of Association provide that the Company shall enter into written contracts with the Directors in respect of remuneration matters with prior approval at shareholders' general meetings. In 2015, except independent non-executive Directors who received Directors' remuneration from the Company, all other Directors did not receive any remuneration from the Company in the capacity of Directors. Executive Directors received remuneration in the capacity of senior management from the Company. The remuneration packages of independent non-executive Directors are determined based on the Company's own situations with reference to market benchmarks.

## Specialised Committees of the Board

There are five specialised committees under the Board, namely the Strategy and Investment Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Related Transactions Control committee. Each committee provides advice and suggestions to the Board with respect to matters within the scope of its responsibilities. The duties and operation process are explicitly stipulated in the terms of reference of each committee.

### Strategy and Investment Committee

#### Composition

As at the end of the Reporting Period, the Strategy and Investment Committee comprised five Directors, including three executive Directors and two non-executive Directors. In January 2015, at the first meeting of the third session of the Board, Mr. LI Peiyu, Mr. WANG Pingsheng, Mr. ZHANG Hong, Ms. LU Xiuli and Mr. SHEN Shuhai were elected to be the members of the Strategy and Investment Committee.

Chairman: LI Peiyu (executive Director)<sup>1</sup>  
Members: WANG Pingsheng (executive Director), ZHANG Hong (executive Director),  
LU Xiuli (non-executive Director), SHEN Shuhai (non-executive Director)

#### Duties and responsibilities

The Strategy and Investment Committee is primarily responsible for reviewing the mid- to long-term development strategies and material investment decisions of the Company and making recommendations.

Note: 1. Mr. LI Peiyu resigned as the chairman and member of the Strategy and Investment Committee on 10 March 2016 due to work commitment. Mr. WANG Pingsheng temporarily acted as the chairman of the Strategy and Investment Committee.

# CORPORATE GOVERNANCE REPORT

The primary duties include (but not limited to): (1) reviewing the Company's development strategies; (2) reviewing the Company's operation plans, annual financial budget and final accounts; (3) reviewing the goals of the Company's assets and liabilities management, asset allocation plans, and other investment asset management matters within the scope of authorisation by the Board; (4) reviewing the Company's major investment and fund raising plans, and matters such as investment, asset acquisition, asset disposal and write-off, external guarantee and external donation within the scope of mandates granted by the shareholders' general meeting (except for those performed by the senior management as authorised by the Board); (5) reviewing the basic systems of strategy management and asset management; (6) reviewing the establishment plan of our internal management departments and branches; and (7) other matters as authorised by the Board.

## Summary of work undertaken

During the Reporting Period, the Strategy and Investment Committee under the third session of the Board held a total of six meetings and considered 23 proposals.

Attendance records of the meetings were as follows:

Name	LI Peiyu	WANG Pingsheng	ZHANG Hong	LU Xiuli	SHEN Shuhai
Attended in person/eligible to attend	6/6	5/6	6/6	5/6	6/6
Percentage of attendance in person	100%	83%	100%	83%	100%
Attended by proxy/eligible to attend	0/6	1/6	0/6	1/6	0/6
Percentage of attendance by proxy	0	17%	0	17%	0

During the Reporting Period, the Strategy and Investment Committee thoroughly discussed the operation plan of the Group for 2015, the operation plan and budget plan of the Group for 2014, the final accounting report and profit attribution plan of the Group for 2014, material matters regarding operational management and investment decisions such as the Company's initial public offering and listing of overseas listed foreign shares (H shares) and the relevant authorisation matters, the plan for disposal of accumulated distributable retained profits of the Company prior to the listing of its H shares, and provided opinions and advice. It has played an important role in facilitating the reform and development of the Company, the implementation of international strategy and improvement in capital utilisation rate.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

### Composition

As at the end of the Reporting Period, the Audit Committee comprised five Directors including three independent non-executive Directors and two non-executive Directors, with an independent non-executive Director serving as the chairman. In January 2015, at the first meeting of the third session of the Board, Mr. LI Sanxi was elected as the chairman of the Audit Committee, Mr. HAO Yansu was elected as the vice chairman of the Audit Committee, and Ms. LU Xiuli and Mr. SHEN Shuhai were elected as the members of the Audit Committee. In July 2015, at the sixth meeting of the third session of the Board, Ms. WANG Jun was elected as the member of the Audit Committee.

Chairman:	LI Sanxi (independent non-executive Director)
Vice chairman:	HAO Yansu (independent non-executive Director)
Members:	WANG Jun (independent non-executive Director), LU Xiuli (non-executive Director), SHEN Shuhai (non-executive Director)

### Duties and responsibilities

The Audit Committee examines the internal audit system of the Company and monitors its implementation, inspects, monitors and evaluates the internal audit and internal control of the Company, and makes recommendations on the appointment or change of external auditors and monitors their work.

The primary duties include (but not limited to): (1) examining the internal audit system and monitoring its implementation, and inspecting, monitoring and evaluating the internal audit of the Company; (2) monitoring the implementation of the internal control and management system of the Company, inspecting and evaluating the compliance and effectiveness of material operating activities of the Company; reviewing the corporate governance report and compliance report of the Company on a regular basis, and making recommendations to the Board of Directors on matters where action or improvement is needed; (3) examining the Company's financial information and its disclosure, examining the Company's key financial system and its implementation, monitoring the financial status; monitoring the truthfulness of financial reports and the effectiveness of financial reporting procedures implemented by the management; (4) making recommendations on the appointment, re-appointment, replacement or removal of external auditors, monitoring the independence and objectivity, audit process and works of external auditors, coordinating the communication between the internal audit department and external auditors, examining reports issued by external auditors, and ensuring that external auditors' accountability to the Board and the Audit Committee; and (5) other matters as authorised by the Board.

### Summary of work undertaken

During the Reporting Period, the Audit Committee under the third session of the Board held a total of seven meetings and considered 13 proposals.

# CORPORATE GOVERNANCE REPORT

Attendance records of the meetings were as follows:

Name	LI Sanxi	HAO Yansu	WANG Jun	LU Xiuli	SHEN Shuhai
Attended in person/eligible to attend	7/7	5/7	2/2	5/7	7/7
Percentage of attendance in person	100%	71%	100%	71%	100%
Attended by proxy/eligible to attend	0/7	2/7	0/2	2/7	0/7
Percentage of attendance by proxy	0	29%	0	29%	0

During the Reporting Period, the Audit Committee continued to carefully perform its duties in respect of monitoring and guiding internal and external audit, reviewing financial reports, monitoring financial reporting procedures and enhancing internal control management. It provided a number of opinions and advice to the Board in respect of finance, internal control and operation management, and played an active role in promoting the management and improving corporate governance of the Company. The Audit Committee actively coordinated, monitored and assessed the external audit report, internal control report and compliance report for the year 2014, the appointment of the external auditors and the annual audit plan for the year 2015. It strictly reviewed the internal control report and compliance report of the Company for the year 2014, and monitored the internal control and compliance management.

## Nomination and Remuneration Committee

### Composition

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised five Directors, including three independent non-executive Directors and two non-executive Directors. In accordance with the working rules for the Nomination and Remuneration Committee of the Board, it currently has a chairman and a vice chairman, both were elected by all members and subject to the approval of the Board. The chairman shall be an independent non-executive Director. In January 2015, at the first meeting of the third session of the Board, Ms. WANG Jun was elected as the chairman of the Nomination and Remuneration Committee, Mr. SHEN Shuhai was elected as the vice chairman of the Nomination and Remuneration Committee, and Ms. LU Xiuli and Mr. LI Sanxi were elected as members of the Nomination and Remuneration Committee. In July 2015, at the sixth meeting of the third session of the Board, Ms. MOK Kam Sheung was elected as a member of the Nomination and Remuneration Committee.

Chairman:	WANG Jun (independent non-executive Director)
Vice chairman:	SHEN Shuhai (non-executive Director)
Members:	LU Xiuli (non-executive Director), LI Sanxi (independent non-executive Director), MOK Kam Sheung (independent non-executive Director)

### Duties and responsibilities

The Nomination and Remuneration Committee reports to the Board, reviews the human resources strategy and remuneration strategy of the Company, studies and makes recommendations to the Board on the selection procedures and criteria and remuneration packages for Directors and senior management.

# CORPORATE GOVERNANCE REPORT

The primary duties include (but not limited to): (1) making recommendations to the Board regarding the selection procedures and criteria for Directors and senior management and the structure and composition of the Board; (2) reviewing the qualifications of Directors and senior management in accordance with the selection procedures and criteria, and making recommendations to the Board; (3) regularly (at least annually) evaluating 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 making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (4) making preliminary review on the candidates of Directors and senior management (including the Board Secretary) of the Company, and making recommendations to the Board; (5) nominating candidates for members of specialised committees (excluding this Committee) of the Board; (6) proposing the remuneration policy and proposals of Directors, Supervisors and senior management, and making recommendations to the Board; (7) considering salaries paid by comparable companies, time commitment and responsibilities required and terms of employment elsewhere in the Group; (8) examining and approving compensation payable to executive Directors and senior management due to their loss or termination of office or appointment; (9) examining and approving compensation arrangements relating to dismissal or removal of Directors due to misconduct; (10) ensuring that no Directors or any of his/her associates are involved in deciding his/her own remuneration; (11) considering the evaluation plans and remuneration packages of senior management, evaluating their performance and work, and submitting to the Board for approval; (12) examining the primary compensation system, the evaluation plans for the results of operation of the Company and major subsidiaries, and making recommendations to the Board; and (13) other matters authorised by the Board.

## Summary of work undertaken

During the Reporting Period, the Nomination and Remuneration Committee under the third session of the Board held a total of eight meetings and considered 25 proposals.

Attendance records of the meetings were as follows:

Name	WANG Jun	SHEN Shuhai	LU Xiuli	LI Sanxi	MOK Kam Sheung
Attended in person/eligible to attend	8/8	8/8	7/8	5/8	2/2
Percentage of attendance in person	100%	100%	88%	63%	100%
Attended by proxy/eligible to attend	0/8	0/8	1/8	3/8	0/2
Percentage of attendance by proxy	0	0	12%	37%	0

During the Reporting Period, the Nomination and Remuneration Committee arranged and implemented the appraisal of the management of the Company for 2014, thoroughly discussed and considered the Group's performance bonus plan for 2014 and performance appraisal plan for 2015, provided important opinions, and carefully reviewed the list of candidates for Directors for the third session of the Board of the Company and made recommendations to the Board.

# CORPORATE GOVERNANCE REPORT

Pursuant to the Corporate Governance Code, the Board adopted the Board diversity policy on 25 September 2015. The Company is committed to maintaining the highest level of corporate governance and a diverse Board is an essential component of good corporate governance. The Company does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Board considers that the diversity in opinions and perspectives is beneficial to the Company and can be achieved through the consideration of factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age. Notwithstanding the above, the appointments of the members of the Board will always be made on merit against objective criteria, taking into account factors based on the Company's business model and specific needs from time to time as well as the benefits of diversity to the Board. The Nomination and Remuneration Committee is of the opinion that the composition of the Board from the Listing Date to the end of the Reporting Period has been in compliance with the Board diversity policy.

## Risk Management Committee

### Composition

As at the end of the Reporting Period, the Risk Management Committee comprised five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director. In January 2015, at the first meeting of the third session of the Board, Mr. LI Peiyu was elected as the chairman of the Risk Management Committee, Ms. LU Xiuli was elected as the vice chairman of the Risk Management Committee, and Mr. ZHANG Hong, Mr. REN Xiaobing and Mr. HAO Yansu were elected as the members of the Risk Management Committee.

Chairman:	LI Peiyu (executive Director) <sup>1</sup>
Vice chairman:	LU Xiuli (non-executive Director)
Members:	ZHANG Hong (executive Director), REN Xiaobing (executive Director), HAO Yansu (independent non-executive Director)

### Duties and responsibilities

The Risk Management Committee is responsible for having a comprehensive understanding of various major risks and their management and supervising the effectiveness of the risk management system.

The primary duties include (but not limited to): (1) reviewing the Company's risk strategies and risk management procedures, and monitoring and evaluating their implementation and effectiveness; (2) reviewing the Company's risk management policies and internal control systems, and monitoring and evaluating their implementation and effectiveness; monitoring and evaluating the subsidiaries' risk management policies and internal control systems and their implementation and effectiveness. The reviewing matters of the Committee include but not limited to: (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and the internal control systems; (iii) the extent and frequency of communication of monitoring results to the Board (or the committees under the Board) which enables it to assess control of the Company and the effectiveness

Note: 1. Mr. LI Peiyu resigned as the chairman and member of the Risk Management Committee on 10 March 2016 due to work commitment. The Risk Management Committee is chaired by Ms. LU Xiuli.

# CORPORATE GOVERNANCE REPORT

of its internal control and risk management; and (iv) significant control failures or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; (3) reviewing, monitoring and evaluating the organisational structure, department-setting, working procedures and effectiveness of risk management, and making recommendations as to improve our risk management and control; (4) considering the overall objectives, risk appetite, risk tolerance and risk management policies in respect of the solvency risk management of the Company; (5) addressing major differences or issues regarding risk management system operation or risk management matters; (6) monitoring and evaluating the senior management's efforts on risk control in respect of market and operation; (7) monitoring the effectiveness of the Company's risk management system (including but not limited to ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function); (8) comprehensively understanding various major risks and their management facing the Company, reviewing risk assessment report on a regular basis, considering the risk assessment in respect of material decision-making and the solutions for major risks, assessing the Company's overall risk profile and risk management on a regular basis, and ensuring the Company's disclosure in a statement about how it complies with the code provisions for risk management and internal control in its corporate governance report during the reporting period in accordance with the requirements of the Hong Kong Listing Rules; and (9) other matters as authorised by the Board.

## Summary of work undertaken

During the Reporting Period, the Risk Management Committee under the third session of the Board held a total of six meetings and considered 10 proposals.

Attendance records of the meetings were as follows:

Name	LI Peiyu	LU Xiuli	ZHANG Hong	REN Xiaobing	HAO Yansu
Attended in person/eligible to attend	6/6	4/6	6/6	5/6	6/6
Percentage of attendance in person	100%	67%	100%	83%	100%
Attended by proxy/eligible to attend	0/6	2/6	0/6	1/6	0/6
Percentage of attendance by proxy	0	33%	0	17%	0

During the Reporting Period, the Risk Management Committee studied and considered the annual report of the non-insurance subsidiaries of the Company for the year 2014, the solvency report of the Company for the year 2014, the combined solvency report of the Group for the year 2014, the risk assessment of the Company for the year 2014, the consolidated management report for the year 2014, the solvency pressure test report for the year 2014, the risk-oriented solvency report of the Company for the second quarter of 2015, and the risk-oriented solvency report of the Company for the first half of 2015; and reviewed the amendments to the Working Rules of the Risk Management Committee under the Board of China Reinsurance (Group) Corporation. The Risk Management Committee actively urged the senior management to enhance risk assessment and control, kept a close eye on investment risk management, reviewed the matters regarding pilot authorisation by the Board to senior management for risk appetite management, and stated that the Company shall continue to advance its knowledge and analysis of accumulated catastrophe risk liability and liquidity management, optimise solutions and properly conduct the pilot operation of risk appetite. It has played an important role in facilitating the Group's risk management work and improving the Group's risk management capabilities.

# CORPORATE GOVERNANCE REPORT

## Related Transactions Control Committee

### Composition

As at the end of the Reporting Period, the Related Transactions Control Committee comprised three independent non-executive Directors. In January 2015, at the first meeting of the third session of the Board, Mr. HAO Yansu was elected as the chairman of the Related Transactions Control Committee, and Ms. WANG Jun and Mr. LI Sanxi were elected as the members of the Related Transactions Control Committee.

Chairman:	HAO Yansu (independent non-executive Director)
Members:	WANG Jun (independent non-executive Director), LI Sanxi (independent non-executive Director)

### Duties and responsibilities

The primary duties of the Related Transactions Control Committee include (but not limited to): (1) identifying the related parties of the Company and reporting to the Board, and promptly notifying relevant staff of the Company of the related parties identified; (2) performing an initial assessment on any related-party transactions that are to be approved at a shareholders' general meeting and Board meeting and submitting written opinions to the Board for approval; (3) accepting filings of related-party transactions as authorised by the Board; (4) submitting to the Board a special report on the Company's related-party transactions and implementation of policies governing related-party transactions for the year; and (5) other matters as authorised by the Board.

### Summary of work undertaken

During the Reporting Period, the Related Transactions Control Committee under the third session of the Board held a total of three meetings and considered three proposals.

Attendance records of the meetings were as follows:

Name	HAO Yansu	WANG Jun	LI Sanxi
Attended in person/eligible to attend	3/3	2/3	3/3
Percentage of attendance in person	100%	67%	100%
Attended by proxy/eligible to attend	0/3	1/3	0/3
Percentage of attendance by proxy	0	33%	0

During the Reporting Period, the Related Transactions Control Committee carefully reviewed the related-party transactions between the Company and its subsidiaries for 2014, assessed the relevant issues such as the pricing, term and risks relating to increase in capital of the subsidiaries of the Group, issuance of capital guarantee and acceptance of retrocession, and provided important advice; and amended the Working Rules of the Related Transactions Control Committee under the Board of China Reinsurance (Group) Corporation.

# CORPORATE GOVERNANCE REPORT

## Internal Control

We believe that good internal control plays an important role in the operation of the Company. The Board is committed to the establishment of effective internal control systems and is ultimately responsible for the internal control, risk management and compliance management of the Company. The Board provides guidance over the establishment of the overall internal control management system of the Company, conducts regular research and assessment on the soundness, reasonableness and effectiveness of internal control, considers the organisational structure of internal control, basic management systems and material risk matter treatment of the Company, and considers and approves the annual internal control assessment report of the Company. The Risk Management Committee is established under the Board to assist the Board in reviewing, monitoring and assessing material risk management matters such as risk strategies and risk management procedures, risk management policies and internal control system, risk management organisation methods and risk control performances. The Audit Committee is established under the Board to monitor the implementation of the Company's internal control and management system, and examine and review the compliance and effectiveness of significant operational activities of the Company. At the management level, the Company established the internal control and compliance management coordination committee, responsible for the guiding, coordinating and monitoring the internal control and compliance work of the Company and its subsidiaries. The functional departments, including business, finance and investment departments of the Company and its subsidiaries are primarily responsible for the risk management and internal control and compliance in the internal control system. The specialised departments, such as risk management and internal control and compliance departments, are responsible for the coordinated planning and implementation of risk management and internal control and compliance before and during the process. The internal audit department is responsible for monitoring and regularly auditing the performance in risk management and internal control and compliance.

During the Reporting Period, the Company implemented the following measures in respect of risk management and internal control: (1) the Company used various risk assessment indicators to regularly identify and analyse all types of major risks occurred during operations, prepared immediate reports on major risks occurred or identified and conducted special analysis on major risk issues identified. After identifying the risks, the Company used a combination of qualitative and quantitative methods to assess risk, including using economic scenario generator to assess the risks associated with the economy, capital markets and investments, using catastrophe models to assess catastrophe accumulated risks, and using economic capital models to assess risks including insurance risks, credit risks and market risks. It also employed Monte Carlo Simulation to generate VaR, TVaR and other statistical indicators and risk metrics as well as stress testing and scenario testing to assess risks and analyse risk profile. Through the risk control plan and the authorisation management system which covers all links in operation and business workflow to control the risks retained, the Company managed the risks beyond its risk tolerance through retrocession arrangements and issue of catastrophe bonds. (2) We carried out internal control assessment work throughout the Group Company and its major subsidiaries and conducted a thorough review of the Group's internal control system by focusing on the internal control requirements of the Hong Kong Stock Exchange for listed companies. It completed control point review, effectiveness evaluation, deficiencies rectification and re-testing, updated its internal control manual and flow chart and adopted effective measures to rectify the issues identified. (3) The Company continued to optimise its governance structure, further regulated its authorisation system, provided its subsidiaries with guidance over the improvement in authorisation management, strengthened the prevention of international sanctions risks, optimised related-party transaction management, operational risk management and investment fund management by entrustment, enhanced its risk management capabilities under the C-ROSS framework and further promoted the effective implementation of internal control. (4) The Company developed an internal control management information system, achieved

# CORPORATE GOVERNANCE REPORT

resource consolidation in the Group's internal control system through information means, and realized comprehensive management of "formulation of internal control assessment plan, self-assessment of business lines, dynamic assessment of internal control management departments, rectification and tracking of deficiencies, information collection and consolidation" to improve the efficiency of the internal control management. (5) The Company established the information disclosure management policies to specify division of duties and workflow in order to manage the disclosure of information of the Company in a truthful, accurate, timely and effective manner. The Company has facilitated the establishment of a mechanism for filing of persons with inside information and material issue internal reporting, and strengthened trainings and promotion for compliance to duly deal with and release inside information.

During the Reporting Period, in accordance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and related guidelines and the requirements of the Hong Kong Listing Rules, in light of the actual situations of the Company's internal control system, the Company carried out internal control assessment for 2015, and reviewed the risk management and internal control system of the Company and its subsidiaries including financial control, operational control and compliance control. The Board and the management have confirmed that these risk management and control measures are sufficient and effective. Due to the limitations of the internal control and the technical means for internal control assessment, there might still be risks and deficiencies. As such, the Company will continue to focus on the rectification of weaknesses in the internal control and the comprehensive effects of changes in internal and external environments, focus on the identification, assessment and prevention of existing and new risks, assess the soundness, reasonableness and effectiveness of the internal control system, and improve the internal control system so that its internal control and risk prevention abilities can adapt to the Group's development to ensure the fulfilment of its strategic objectives.

## BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors adhered to the requirements of the PRC Company Law and the Articles of Association and performed its duties of supervision, enhanced the supervision over significant events, the supervision over the performance of the respective duties by the Directors and senior management, stressed on carrying out special investigation and studies, made proposals with respect to the deepening of implementation of strategies and the prevention of business risks to the Board of Directors and the management in order to protect the interests of the Company, shareholders and employees.

### Composition

During the Reporting Period, the Board of Supervisors comprised five members, including:

Chairman:	WANG Yonggang (shareholder representative Supervisor)
Supervisors:	WEI Shiping (shareholder representative Supervisor), ZHU Yong (shareholder representative Supervisor), CAO Shunming (employee representative Supervisor), LIN Wei (employee representative Supervisor)

# CORPORATE GOVERNANCE REPORT

Employee representative Supervisors are elected through democratic elections at staff representative assembly, and non-employee representative Supervisors are elected through elections at the shareholders' general meetings. The term of office of Supervisors is three years and Supervisors may serve consecutive terms if re-elected.

## Duties and Responsibilities

The Board of Supervisors shall report to the shareholders' general meeting, supervise the Company's financial position and compliance as well as the performance of duties and responsibilities by Directors and senior management.

The primary duties of the Board of Supervisors include (but not limited to): (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 in their performance of duties and proposing the removal of Directors and senior management who have contravened any of the PRC laws, administrative regulations, regulatory requirements, the Articles of Association or resolutions of the shareholders' general meeting; (4) demanding rectification from Directors or any senior management when the acts of such persons are harmful to the Company's interest; (5) proposing to convene an extraordinary 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 bringing an action against a Director or senior management pursuant to the PRC Company Law and the Articles of Association; (8) formulating the procedural rules of the Board of Supervisors and the working rules of 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, engaging certified public accountants and practicing auditors in the name of the Company to review; and (10) exercising other duties specified under the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and by shareholders' general meetings.

## Summary of the Work Undertaken

During the Reporting Period, the Board of Supervisors convened five meetings and reviewed and considered nine resolutions. The Performance Supervision and Inspection Committee convened five meetings, while the Financial Supervision and Inspection Committee convened one meeting.

Attendance records of the meetings were as follows:

Name	WANG Yonggang	WEI Shiping	ZHU Yong	CAO Shunming	LIN Wei
Attended in person/eligible to attend	5/5	5/5	5/5	4/5	5/5
Percentage of attendance in person	100%	100%	100%	80%	100%
Attended by proxy/eligible to attend	0/5	0/5	0/5	1/5	0/5
Percentage of attendance by proxy	0%	0%	0%	20%	0%

# CORPORATE GOVERNANCE REPORT

Please refer to the section “Report of the Board of Supervisors” in this annual report for the work of the Board of Supervisors for the year 2015.

## DUTIES AND RESPONSIBILITIES OF THE SENIOR MANAGEMENT

According to the Articles of Association, senior management refers to the Company’s president, vice president, chief financial officer, Board Secretary and other managers confirmed by the Board. Senior management is responsible for the Company’s operation and management, organisation and implementation of the Board resolutions, implementation of the operation and investment plan approved by the Board, construction of the internal management structure and basic management system as well as formulation of specific rules and regulations.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to entering into any significant transactions by the management. During the Reporting Period, based on the development strategies of the Company, the senior management actively conducted various operation and management work and effectively implemented the operation plan and financial budget approved by the Board, leading to stable and rapid development of all business segments and continuous enhancement in operating results.

## JOINT COMPANY SECRETARIES

Ms. YU Qing, one of the joint company secretaries of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, during the Reporting Period, the Company also engages Ms. YUNG Mei Yee of KCS Hong Kong Limited (a company secretarial service provider) as a joint company secretary to assist Ms. YU Qing to discharge her duties as one of the joint company secretaries of the Company. Ms. YU Qing is also the primary contact person of the Company.

During the Reporting Period, Ms. YU Qing and Ms. YUNG Mei Yee have undertaken no less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

Ms. YUNG Mei Yee resigned as a joint company secretary of the Company on 30 March 2016, and the Company appointed Ms. MOK Ming Wai, director and head of listed company service department of KCS Hong Kong Limited, as a joint company secretary of the Company with effect from 30 March 2016.

## AUDITORS’ FEES

During the Reporting Period, the Board re-appointed KPMG Huazhen LLP as the domestic auditor of the Group for 2015 and KPMG as the overseas auditor of the Group for 2015 to provide audit services in accordance with the China Standards on Auditing and International Standards on Auditing. Their term will expire at the conclusion of the 2015 annual general meeting of the Company. As at the end of the Reporting Period, the contracted service fees for financial statements audit services provided by the auditors to the Group amounted to RMB3.98 million. In addition, the Company also entered into a listing audit service contract with the auditors with contracted service fees of RMB5.5 million, and the contracted service fees for non-audit services provided by the auditors amounted to RMB1.5 million.

# CORPORATE GOVERNANCE REPORT

## ARTICLES OF ASSOCIATION

The Articles of Association have been effective since the date on which the approval from the relevant authorities was obtained. For details, please refer to the announcement published on 9 March 2016 by the Company on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinare.com.cn](http://www.chinare.com.cn)).

## INVESTOR RELATIONS

Upon its listing on the Main Board of the Hong Kong Stock Exchange, the Company is committed to establishing and improving the contents and process of its investor relations work, enhancing communication with domestic and overseas investors, and understanding various needs of investors in a timely manner. During the Reporting Period, the Company promptly answered investor relation hotline calls and replied emails, and actively cooperated with on-site or telephone research by domestic and overseas investors/analysts in order to actively and efficiently provide investors with sufficient information and enhance the mutual understanding of the Company and investors. In 2016, the Company will further improve the quality of its investor relations work by responding to calls and emails in a timely manner, receiving visits by investors/analysts, participating in domestic and overseas investment strategy conferences, holding annual and interim results briefings and press conferences, and conducting domestic and overseas results roadshows in order to enhance communication and exchange with investors and establish and maintain good relationships with investors.

The Company has designated the Office of the Board as the investor relations department with contacts including telephone and email. Please refer to the “Investor Relations” section on the website of the Company for detailed contact information, including telephone number and email address. The “Investor Relations” section on the Company’s website ([www.chinare.com.cn](http://www.chinare.com.cn)) is specially designed to provide regularly updated information of the Company.

## COMPLIANCE WITH SANCTIONS RELATED UNDERTAKINGS

We undertook to the Hong Kong Stock Exchange that we would 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 the Group, the Hong Kong Stock Exchange, HKSCC, HKSCC Nominees or the 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 the Group entered into in the Sanctioned Countries would expose the Group or shareholders and investors to risks of being sanctioned, the Company will publish such announcements as appropriate and in accordance with the Hong Kong Listing Rules and the SFO (the “Sanctions Related Undertakings”). For the period from the Listing Date to the end of the Reporting Period, we were in strict compliance with its sanctions risk management policy to prohibit the conducting of any business that may cause the Group and relevant stakeholders to be subject to sanctions, and arranged trainings on the sanctions risk management. The Directors have confirmed that we have complied with the Sanctions Related Undertakings and will continue to do so in future daily operation. In the view that the sanction policies may keep adjusting, we will adjust the scale of business in due course subject to the sanction laws in US, EU, UN or Hong Kong and the sanction risks of the Group and the stakeholders in order to achieve better returns for the shareholders and investors.

# REPORT OF THE BOARD OF DIRECTORS

The Board presents its first report since the listing of the Company on the Main Board of the Hong Kong Stock Exchange, together with the audited financial statements of the Group for the year ended 31 December 2015.

## BUSINESS REVIEW

### Principal Business

We are currently the only domestic reinsurance group in the PRC and mainly conduct P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management business through our subsidiaries.

### Business Review and Analysis of Key Financial Indicators

Please refer to the section headed “Management Discussion and Analysis” in this annual report.

### Environmental Policies and Performance of the Company

China Re Group advocates the concept of greening and environment protection, attaches great importance to enhancing employees’ awareness of energy-saving and environment-protection, and is committed to providing its employees with a safe and comfortable working environment. By adopting electronic work tools including the Group’s information platform, remarkable results have been achieved in paperless work. Through the management of energy saving and consumption reduction in office areas, the consumption of water, electricity, coal, gas and other energy was reduced. The Group encourages the use of teleconferences and reduces the use of vehicles owned by the Group and travel in order to lower carbon emission and energy consumption arising from business travels. The Group actively responds to the government’s call for building a green ecological environment by organising employees to plant trees in order to make contribution to the protection of the ecological environment. In addition, the Group has established a safety management system and organised safety supervision, inspection, promotion and training activities to enhance employees’ awareness of safety. We prohibit smoking at all workplaces to create a healthy and safe working environment.

### Compliance with Relevant Laws and Regulations

As a joint-stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Hong Kong Stock Exchange, the Company is subject to the PRC Company Law, the PRC Insurance Law, as well as the Hong Kong Listing Rules, the SFO and other domestic and overseas laws and regulations. The Group has implemented internal controls to ensure compliance with such laws and regulations. Set out below is our compliance in respect of the listing of shares and business:

As at the end of the Reporting Period, as far as we were aware, there was no legal and/or regulatory procedures or dispute which, in the opinion of the Directors, may have a material adverse effect on our business, financial condition, operating results or prospects.

# REPORT OF THE BOARD OF DIRECTORS

The Company is subject to the following main regulatory requirements:

The CIRC and other government departments in the PRC (including but not limited to the Ministry of Finance, the State Administration of Taxation, the NAO, the State Administration for Industry and Commerce, the People's Bank of China, the State Administration of Foreign Exchange, the Ministry of Human Resources and Social Security and their branches) may make enquiries and conduct on-site or off-site inspections or investigations on our compliance with the PRC laws and regulations in respect of state-owned asset management, financial condition and business operation, solvency margin, tax, foreign exchange management, labour and social welfare from time to time.

Under the Administrative Regulations for Insurance Companies, the CIRC conducts both on-site and off-site inspections on insurance institutions for supervision and management. The on-site inspections conducted on insurance institutions by the CIRC or its local bureaus may focus on the company's management, documents delivery and ex-post reports for administrative examination and approval filing, reserves, solvency margin, use of funds, business operations and financial condition, transactions with insurance intermediaries, information system construction, appointment of senior management and other matters which the CIRC considers to be material.

The Company became listed on the Main Board of the Hong Kong Stock Exchange on 26 October 2015 and is therefore subject to the Hong Kong Listing Rules. The Company shall comply with relevant rules under the SFO, including but not limited to the following obligations: maintain a register of interests and short positions in shares and a register of interests and short positions in shares held by Directors, Supervisors and chief executive, disclose inside information, etc.

As at the end of the Reporting Period, we were not aware of any investigation or audit by any regulatory authority which may have a material adverse effect on our business, financial condition, results of operation or prospects.

## Principal Risks and Uncertainties

Our business involves P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management business. Although we uphold the concept of sustained and stable operation and have good risk management and control capability, there are a number of risks and uncertainties involved in our business that are beyond our control. We believe these principal risks and uncertainties 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.** 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. The implementation of strategic initiatives could require the 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 an effect on our ability to manage our business, which may also expose us to potential risks, including but not limited to the diversion of resources from our existing business and technologies, the potential loss of, or harm to, relationships with employees and clients. We may not be able to recruit, effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of business. We may not be able to adjust our business composition or organisational structure in a timely manner to respond to the expansion of our new business.

## REPORT OF THE BOARD OF DIRECTORS

**Unpredictable catastrophic events may have a material and adverse impact on 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. The extent of our losses from catastrophic events is a function of their frequency and severity, which are unpredictable and may increase 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. We are also exposed to the risk of catastrophic events in various regions worldwide due to international reinsurance businesses.

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 factors not covered by our models. In addition, payment for claim settlement, secondary disasters of catastrophe and insufficient reserves for catastrophe occurred may increase the uncertainties about our loss and render our assessment of catastrophe risk inadequate. Although we enter into catastrophic reinsurance or retrocession arrangements to reduce relevant loss, due to limitations in the underwriting capacity and terms and conditions of the reinsurance or retrocession markets, and the inherent difficulties in assessing our exposure to catastrophes, such reinsurance or retrocession may not be sufficient to adequately cover our losses.

**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 hard 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 underwriting businesses.

We use various assumptions in the pricing, underwriting and reserving of reinsurance and insurance products. These assumptions are inherently uncertain. There may be material differences between actual experience and the assumptions, which may materially and adversely affect our business, results of operations, financial condition and prospects.

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.

**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 the rate of our investment returns are affected by such factors as political, economic, social and market conditions as well as the formulation 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. Volatility in stock markets and bond markets in the PRC and elsewhere may affect our investment assets. 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. Overseas investments may expose us to more international market risks as well as related regulatory, compliance, exchange rate and other risks.

## REPORT OF THE BOARD OF DIRECTORS

**We may suffer losses due to our exposure to credit risk with respect to our investment.** We primarily invest in fixed income products, and we may be subject to greater credit risks with respect to our investments in debt securities than we expect, which could result in a decrease in the fair value of our debt securities, giving rise to impairment losses. Although we seek to minimize the risks associated with investments through diversification, improving our credit analysis capabilities and monitoring current interest rate trends, we still cannot assure to fully 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 are not 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. Furthermore, the counterparties in our investments 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, and the corporate and other defaults are more likely to take place when businesses experience operational or financial difficulties and may exacerbate the credit risk we face. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances.

**The implementation of the C-ROSS regime may have an adverse affect our business, operating results, financial condition and prospects.** The C-ROSS regime took effect on 1 January 2016. 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 while retaining a higher proportion of their businesses that have lower risk capital requirements 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 C-ROSS regime requires us to focus more on, among others, our asset-liability management, strategic asset allocation, selection of investments and investment risk management. 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 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, which will increase our workload. Meanwhile, as the improvement of solvency risk management is an ongoing process, insurers are exposed to various degrees of compliance risks. 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 us or the PRC reinsurance and insurance industry when these positive factors and the above negative factors are both taken into consideration.

## REPORT OF THE BOARD OF DIRECTORS

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 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. Since 2014, due to the fluctuations in the RMB exchange rates, the overall lower demand for the overseas policies denominated in RMB and the increase in the number of market competitors, among others, the premium income from our cross-border RMB reinsurance business has declined. At the same time, the profit from those business segments has decreased due to the continuous decline in the domestic RMB benchmark interest rate. 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 and profit from our cross-border RMB reinsurance business.

The cyclical nature of the reinsurance and insurance industries may cause significant fluctuations in our results of operations. The reinsurance industry has been cyclical. 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 underwrite business. The cyclical changes are mainly related to factors affecting the supply of reinsurance including prevailing prices, the level of business losses and the level of industry surplus which, in turn, may fluctuate. The supply of available reinsurance capital has increased over the past several years, either as a result of capital provided by new entrants or of the commitment of additional capital by existing insurers or reinsurers or of the increase in non-traditional reinsurance products as alternative products. This has had 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. The cyclical trends in the reinsurance industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, such as fluctuations in interest rates, changes in the investment environment that affect market prices of investments, and inflationary pressures. The primary insurance industry in the PRC has also been cyclical. 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 reinsurance and primary P&C insurance business will continue to be affected by cyclical trends.

# REPORT OF THE BOARD OF DIRECTORS

## Non-adjusting Post Balance Sheet Date Events

Details are set out in Note 55 to the financial statements.

## Future Business Development of the Group

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 for our shareholders.

We are committed to realising the following three core objectives: consolidating our leading position in the PRC reinsurance industry and capturing growth opportunities in the PRC insurance market; creating innovation-driven business models and extending the horizons of innovation; and pursuing our international strategy and coordinating the development of our domestic and international businesses.

## ISSUE OF SHARES

The shares of the Company became listed on the Main Board of the Hong Kong Stock Exchange on 26 October 2015. The prospectus relating to the listing has been published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinare.com.cn](http://www.chinare.com.cn)).

### Initial Public Offering

On 26 October 2015, the Company issued 5,769,890,000 ordinary shares at a price of HK\$2.70 each in respect of the initial public offering. The Company received gross proceeds from the initial public offering of approximately HK\$15,579 million. Details of the initial public offering were disclosed in the prospectus.

### Partial Exercise of Over-allotment Option

The over-allotment option described in the prospectus was partially exercised by the international representatives (on behalf of the international purchasers) on 11 November 2015 in respect of an aggregate of 302,307,000 additional new shares (the “Over-allotment Shares”), representing approximately 5.24% of the offer shares initially available under the Global Offering before the exercise of the over-allotment option, to cover, among other things, over-allocations under the International Offering. The Over-allotment Shares were issued and allotted by the Company at HK\$2.70 per H share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), being the offer price per offer share under the Global Offering. Details of partial exercise of over-allotment option were disclosed in the announcement of the Company dated 11 November 2015.

# REPORT OF THE BOARD OF DIRECTORS

## Stabilising Actions

On 15 November 2015, the stabilisation period in connection with the Global Offering ended .

The Company was informed by UBS AG Hong Kong Branch, the stabilising manager, that the stabilising actions undertaken by UBS AG Hong Kong Branch, its affiliates or any person acting for it during the stabilisation period were:

over-allocation of an aggregate of 865,480,000 H shares in the international offering, representing approximately 15.0% of the offer shares initially offered under the Global Offering (before any exercise of the over-allotment option);

successive purchases of an aggregate of 563,173,000 H shares in the price range of HK\$2.61 to HK\$2.70 per H share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) on the market during the stabilisation period. The last purchase made by the stabilising manager on the market during the course of the stabilisation period was on 11 November 2015 at the price of HK\$2.70 per H share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%); and

the partial exercise of the over-allotment option by the international representatives (on behalf of the international purchasers), on 11 November 2015 in respect of an aggregate of 302,307,000 H shares, representing approximately 5.24% of the total number of offer shares initially available under the Global Offering before any exercise of the over-allotment option, at the offer price per H share.

Details of stabilising actions were set out in the announcement of the Company dated 16 November 2015.

The Company received proceeds from issue of new shares in respect of its listing on the Main Board of Hong Kong Stock Exchange and partial exercise of the over-allotment option of HK\$16,395 million, which are intended for the proposed uses set out in the section headed “Future Plans and Use of Proceeds from the Global Offering” in the prospectus of the Company dated 13 October 2015.

# REPORT OF THE BOARD OF DIRECTORS

## RESULTS AND PROFIT DISTRIBUTION

The Group's profit for the year ended 31 December 2015 and the financial condition of the Group as at that date are set out in the financial statements on pages 119 to 126.

### Special pre-IPO dividend

A special pre-IPO dividend distribution plan was approved at the Company's third extraordinary general meeting of 2015 held on 26 June 2015. The Company distributed all the accumulated distributable retained profits of the Company (the lesser of the accumulated distributable retained profits of the Company as shown in the Company's financial statements under the PRC GAAP and those as shown in the Company's financial statements under the International Financial Reporting Standards, after deducting the statutory reserve and general reserve (to be determined in accordance with the PRC GAAP) as required under PRC law) by way of cash dividend on 30 September 2015 (the "Special Dividend Cut-off Date"), to the Company's shareholders as recorded in the register as at the Special Dividend Cut-off Date based on their respective shareholding percentages. As at 30 September 2015, the accumulated distributable retained profits to shareholders of the Company was RMB3,422 million. Shareholders of H shares of the Company were not entitled to receive the special pre-IPO dividend.

Details of distribution of special dividend were set out in the announcement of the Company dated 22 January 2016.

### Final Dividend

The Board recommends the payment of final dividend for the year ended 31 December 2015 of RMB0.046 per share (before tax), totalling approximately RMB1,954,071,171.91 (the "2015 Final Dividend"). The 2015 Final Dividend is subject to the approval of shareholders of the Company at the 2015 annual general meeting. If approved, the 2015 Final Dividend is expected to be paid to the shareholders whose names appear on the register of the members of the Company as at Wednesday, 29 June 2016 on Thursday, 18 August 2016 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi for the last five business days up to and including the date of the 2015 annual general meeting published by China Foreign Exchange Trading System as authorised by the People's Bank of China.

### Withholding and Payment of Income Tax on the Dividends Paid to Overseas Individual Shareholders and Non-resident Enterprise Shareholders

Pursuant to the relevant laws and regulations such as the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), the Regulations for the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (SAT Notice No.[2011]348) (《國家稅務總局關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), Announcement of the State Administration of Taxation on Issuing the Administration Measures on Non-resident Taxpayers' Enjoyment of Tax Treaty (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) (SAT Announcement 2015 No.60) and the relevant regulatory documents, the Company, as a withholding agent, will withhold and pay the income tax, including the individual income tax for overseas individual shareholders and the enterprise income tax for non-resident enterprise shareholders, when distributing 2015 Final Dividend to H shareholders. Matters in relation to withholding and payment of the income tax of overseas individual shareholders and non-resident enterprise shareholders will be disclosed in the circular of 2015 annual general meeting.

# REPORT OF THE BOARD OF DIRECTORS

## SHARE CAPITAL

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 26 October 2015, and the total share capital of the Company increased from RMB36,407,611,085 to RMB42,479,808,085 (following partial exercise of the Over-allotment Option). As at the end of the Reporting Period, the share capital of the Company was as follows:

No.	Name of shareholder	Class of shares	Number of shares	Percentage of total share capital
1	Central Huijin Investment Ltd.	Domestic shares	30,397,852,350	71.56%
2	HKSCC (Nominees) Limited <sup>1</sup>	H shares	6,670,993,700	15.70%
3	Ministry of Finance of the PRC	Domestic shares	5,402,539,035	12.72%
4	Other H shareholders	H shares	8,423,000	0.02%
Total			42,479,808,085	100%

Note: 1. The shares of the Company held by HKSCC (Nominees) Limited are on behalf of its clients and do not include the shares held by other H shareholders.

## DISTRIBUTABLE RESERVES

As at the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders determined under IFRS and PRC GAAP was RMB1,955 million. For more information, please refer to the section headed “Results and Profit Distribution – Final dividend” of this chapter.

## BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the buildings, equipment and investment properties of the Group during the year are set out in Note 34 and Note 33 to the financial statements respectively. As at the end of the Reporting Period, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) exceed 5%.

## RETIREMENT BENEFITS

The Group provides retirement benefits to employees, including enterprise annuity and defined benefit retirement plan. In 2015, the Group’s enterprise annuity contribution amounted to RMB23.14 million and its defined benefit retirement plan contribution was RMB2.79 million.

Total annual enterprise contribution of annuity shall be provided at certain percentage of the total employee salaries of the previous year, and defined benefit retirement plan contribution will be paid from the accrued defined benefit retirement liabilities. Provided that employees are dismissed or break laws or regulations, unvested annuity contributions will be transferred back to the Company’s annuity account to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

# REPORT OF THE BOARD OF DIRECTORS

## REMUNERATION OF SENIOR MANAGEMENT<sup>1</sup>

During the Reporting Period, details of the remuneration of Directors and Supervisors are set out in Note 14 to the financial statements. The scope of remuneration of non-director senior management is set out as follow:

Scope of remuneration	Number of individual
RMB0 – RMB500,000	2
RMB500,001 – RMB1,000,000	3
RMB1,000,001 – RMB1,500,000	1
RMB1,500,001 – RMB2,000,000	0
RMB2,000,001 – RMB2,500,000	1

## HIGHEST PAID INDIVIDUALS<sup>2</sup>

Details of the remuneration of five highest paid individuals of the Group during the Reporting Period are set out in Note 15 to the financial statements.

## MAJOR CLIENTS

The information on the proportion from major clients of the insurance business of the Group during the Reporting Period is set out below:

	Percentage of insurance income of the Group
Largest insurance client	14.01%
Top five insurance clients in total	41.37%

Since the top five clients of the Group are financial insurance institutions, Ministry of Finance and Central Huijin, shareholders of the Company, hold interests in such institutions. None of the Directors, their close associates or any other shareholder who, as far as the Directors are aware, holds 5% or more share capital of the Company, has any interest in any of above clients.

## RELATIONSHIP WITH CLIENTS

The Group is of the view that the benign relationship with clients is very important. During the Reporting Period, there was no material dispute between the Group and clients.

## RELATIONSHIP WITH EMPLOYEES

The Group builds comprehensive training system as well as scientific and reasonable remuneration incentive system. The Group sets up multiple channels for employees to develop themselves, attaches great importance to physical and mental health to employees and their families, so as to improve their happiness index.

- Note:
1. The bases of the remuneration for the Chairman, executive Directors and chairman of the Board of Supervisors of the Company are implemented according to relevant requirements of Ministry of Finance. As at the date of this report, the remuneration bases for the year 2015 have not been finally decided and such remuneration is estimated figure.
  2. As at the date of this report, the Group has not completed the payment of performance bonus for the year 2015 and such remuneration is estimated figure.

# REPORT OF THE BOARD OF DIRECTORS

## MAJOR SUBSIDIARIES

As at the end of the Reporting Period, the Company directly owned seven major 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. Details are set out in Note 30 to the financial statements.

## PRE-EMPTIVE RIGHT

During the Reporting Period, the shareholders of the Company had no pre-emptive right pursuant to the relevant laws of PRC and the Articles of Association.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the period from the Listing Date to 31 December 2015.

## CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB4.23 million in aggregate.

## DIRECTORS

During the Reporting Period, the Directors were as follows:

### Executive Directors

Mr. LI Peiyu (Chairman)	(Appointed on 10 September 2010, and resigned on 10 March 2016 due to work commitment)
Mr. WANG Pingsheng (Vice Chairman)	(Appointed on 23 August 2012)
Mr. ZHANG Hong	(Appointed on 23 August 2012)
Mr. REN Xiaobing	(Appointed on 23 August 2012)

### Non-executive Directors

Ms. LU Xiuli	(Appointed on 29 December 2014)
Mr. SHEN Shuhai	(Appointed on 29 December 2014)

### Independent Non-executive Directors

Ms. WANG Jun	(Appointed on 24 June 2011)
Mr. HAO Yansu	(Appointed on 29 December 2014)
Mr. LI Sanxi	(Appointed on 29 December 2014)
Ms. MOK Kam Sheung	(Appointed on 6 August 2015)

# REPORT OF THE BOARD OF DIRECTORS

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Our Articles of Association provide that the remuneration of Directors and Supervisors shall be determined by the shareholders of the Company at shareholders' general meetings from time to time. The fees of independent non-executive Directors shall be proposed by the Board and approved by shareholders' general meetings. Our Articles of Association provide that we shall enter into written contracts with the Directors and Supervisors in respect of remuneration with prior approval at shareholders' general meetings. The Directors and Supervisors have entered into service contracts with the Company on 25 September 2015.

The Directors, Supervisors and senior management receive compensation in the form of basic salaries, directors' fees, contribution to pension schemes, discretionary bonuses and other allowances and benefits in kind.

During the Reporting Period, none of the Directors or Supervisors entered into any service contract with the Company or its subsidiaries which would not be terminated within one year without payment of compensation other than statutory compensation.

## DIRECTORS AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the Reporting Period, none of the Directors or Supervisors had a material interest, either directly or indirectly, in a transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party.

## PERMITTED INDEMNITY

Subject to the relevant statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has taken out insurance against the liabilities and costs associated with proceedings which may be against the Directors.

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

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

## REPORT OF THE BOARD OF DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, none of the Company or its subsidiaries has entered into any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

### DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

During the Reporting Period, there are no relationships in respect of finance, business, or family among the Directors, Supervisors and senior management of the Company.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Hong Kong Listing Rules.

### SHARE INCENTIVE SCHEME FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Company has not formulated or implemented any share incentive scheme for the Directors, Supervisors or senior management.

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

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

# REPORT OF THE BOARD OF DIRECTORS

Name of shareholders	Nature of interest and capacity	Class	Number of shares	Approximate percentage of interests of the Company	Approximate percentage of relevant class of shares of the Company
Central Huijin Investment Ltd.	Beneficial owner	Domestic Share	30,397,852,350	71.56%	84.91%
Ministry of Finance of the PRC	Beneficial owner	Domestic Share	5,407,101,067	12.73%	15.10% <sup>4</sup>
National Council for Social Security Fund of the PRC	Beneficial owner	H Share	576,989,000	1.36%	8.64%
Great Wall Pan Asia International Investment Co., Ltd. <sup>3</sup>	Beneficial owner	H Share	431,050,000	1.01%	6.45%

## Notes:

- The data disclosed above were based on the information provided on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). As far as the Company is aware of, after the over-allotment option was partially exercised in November 2015, the Ministry of Finance held 5,402,539,035 shares of the Company, representing approximately 15.09% of relevant class of shares of the Company and 12.72% of the total issued shares of the Company.
- According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.
- As to the approximate percentage of the relevant class shares of the Company held by Ministry of Finance, the denominator is the number of total share capital as at 31 December 2015 and the molecular is the number set out in the form of disclosure of interests. The percentage has been rounded.

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

## MANAGEMENT AND ADMINISTRATION CONTRACTS

During the Reporting Period, the Company had not entered into any management contracts with respect to the entire or principal business of the Company.

# REPORT OF THE BOARD OF DIRECTORS

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules since the listing of its shares on the Hong Kong Stock Exchange on 26 October 2015.

## AUDIT COMMITTEE

The Audit Committee of the Board of the Company has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

## CORPORATE GOVERNANCE

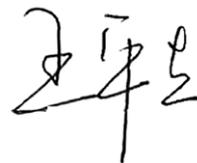
A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2015 were audited by KPMG.

In accordance with the relevant requirements of the Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (《金融企業選聘會計師事務所招標管理辦法(試行)》) (Cai Jin [2010] No. 169) issued by the Ministry of Finance and the Financial and Accounting Work Standards for Insurance Companies (《保險公司財會工作規範》) (Bao Jian Fa [2012] No. 8) issued by the CIRC in relation to the service term of auditors continuously engaged by an insurance company, the continuous service term of KPMG Huazhen LLP and KPMG (collectively, "KPMG"), the current domestic and overseas auditors of the Company, respectively, will exceed the prescribed time limit under the above requirements. In order to comply with the above requirements, the Company has reached a mutual understanding with KPMG on the nonrenewal of their appointment.

KPMG will retire as the auditors of the Company upon expiration of their terms of office with effect from the conclusion of the 2015 annual general meeting of the Company, and will not be re-elected. The Board proposes to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and overseas auditors of the Company, respectively, for the year 2016. Such proposed appointment of auditors is subject to the approval at the 2015 annual general meeting of the Company. For the details of the above proposed change of auditors, please refer to the announcement of the Company dated 22 January 2016.



By order of the Board  
China Reinsurance (Group) Corporation  
WANG Pingsheng  
Vice Chairman

Beijing, the PRC  
30 March 2016

## REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, all members of the Board of Supervisors have diligently and prudently performed their duties and efficiently carried out the work in accordance with the requirements of the PRC Company Law and the Articles of Association, thereby effectively protecting the interests of shareholders of the Company and playing an effective role in constructive supervision.

During the Reporting Period, the Board of Supervisors held five meetings, considered nine proposals and received five reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held five meetings, considered five proposals, and received one report; the Financial Supervision and Inspection Committee under the Board of Supervisors held one meeting and considered one proposal. All members of the Board of Supervisors and the specialised committees attended all of the meetings above.

### ORGANISING AND CONVENING OF MEETINGS OF THE BOARD OF SUPERVISORS

On 9 January 2015, the first meeting of the third session of the Board of Supervisors was convened, during which the Proposal for Election of Chairman of the Third Session of the Board of Supervisors, the Proposal for Election of Chairman and Members of the Duty Performance Supervision and Inspection Committee under the Board of Supervisors, and the Proposal for Election of Chairman and Members of the Financial Supervision and Inspection Committee under the Board of Supervisors were considered and unanimously approved.

On 18 March 2015, the second (extraordinary) meeting of the third session of the Board of Supervisors was convened, at which the Proposal for the Report on the Assessment of Duty Performance by the Board of Supervisors for the Year 2014 was considered and unanimously approved.

On 8 April 2015, the third meeting of the third session of the Board of Supervisors was convened, at which the Proposal for the Report on the Work of the Board of Supervisors for the year 2014 was considered and unanimously approved, and the Report on the Work Plan of the Specialised Committees under the Board of Supervisors for the Year 2015 and the Report on Issuing Letter of Advice to the Management were received.

On 20 July 2015, the fourth meeting of the third session of the Board of Supervisors was convened, at which the Proposal for Amendments to the Rules of Procedures for the Board of Supervisors, the Proposal for Amendments to the Working Rules of the Duty Performance Supervision and Inspection Committee under the Board of Supervisors, the Proposal for Amendments to the Working Rules of the Financial Supervision and Inspection Committee under the Board of Supervisors were considered and unanimously approved, and the Report on the Correction and Update of Certain Information in the Report on the Assessment of Duty Performance by the Board of Supervisors for the Year 2014 and the Report on Standard Equity Product Investment in the First Half of 2015 were received.

On 16 October 2015, the fifth (extraordinary) meeting of the third session of the Board of Supervisors was convened, at which the Proposal for Reviewing the Working Rules for Remuneration and Business Expenses of the Board of Supervisors was considered and unanimously approved, and the Report on the Special Examination of Authorisation Management was received.

# REPORT OF THE BOARD OF SUPERVISORS

## ARRANGEMENT FOR PERFORMANCE MONITORING

Through attending shareholders' general meetings and the meetings of the Board and other specialised committees, members of the Board of Supervisors monitored and analysed the Group's overall operation and management and related results, monitored the performance of duties by Directors and senior management, and issued letters of advice or letters of reminder in a timely manner.

In accordance with the requirements of the Articles of Association and in conjunction with the requirements of shareholders, the Board of Supervisors organised the assessment of duty performance for the year of 2014 and issued an assessment opinion report.

## ARRANGEMENT FOR FINANCIAL MONITORING

The Board of Supervisors explored the establishment of a daily monitoring indicator system and work rules to conduct active monitoring of the consolidated and segment financial conditions of China Re Group and provide timely warnings and reminders of adverse trends.

In 2015, the Board of Supervisors organised the monitoring of financial information quality improvement, and met with the external auditors twice on the annual report, reminding them of key annual report audit matters. It communicated with the Finance Department in respect of budgeting and financial management and made recommendations and advice on improvement.

## URGING THE COMPANY TO IMPROVE RISK CONTROL AND MANAGEMENT

In 2015, the Board of Supervisors arranged and finished the special examination of authorisation management, conducted examination and overall assessment of the establishment and implementation of the authorisation management system of the Company, and provide advice for future improvement.

The Board of Supervisors kept a close eye on the impacts of the capital market volatility on the Company's investments of standard equity products, conducted themed communication and discussion with the management and the relevant subsidiaries of the Company and proposed to strengthen the risk management of investment business. It also paid attention to the development of the innovative insurance business of the subsidiaries, conducted in-depth research in its risk management measures and urged the operation management team to avoid the underwriting risks.

## IMPROVEMENT IN RULES AND REGULATIONS OF THE BOARD OF SUPERVISORS

In preparation for the listing of H shares of the Company and in light of the amendments to the Articles of Association, the Board of Supervisors arranged the amendments to the Rules of Procedures for the Board of Supervisors, the Working Rules of the Duty Performance Supervision and Inspection Committee under the Board of Supervisors and the Working Rules of the Financial Supervision and Inspection Committee under the Board of Supervisors, further improving the corporate governance system of the Company.

# REPORT OF THE BOARD OF SUPERVISORS

In accordance with the requirements of relevant PRC government authorities and the rules of the Company, the Board of Supervisors has established the Working Rules for Remuneration and Business Expenses of the Board of Supervisors, which has provided a systemic basis and guarantee for the performance of supervision duties by the Board of Supervisors.



By order of the Board of Supervisors  
**China Reinsurance (Group) Corporation**  
*Chairman of the Board of Supervisors*  
**WANG Yonggang**

Beijing, the PRC  
30 March 2016

## CORPORATE SOCIAL RESPONSIBILITY

By adhering to its core values of “integrity, expertise, responsibility and aspiration” and its mission of “spreading risks in national economic operation and serving the industry’s steady development”, in 2015, China Re Group focused on enhancing its ability to serve social and economic development, kept a close eye on the promotion of the interests of its shareholders, customers, employees, partners, environment and society, and is committed to becoming a world-class reinsurance group with outstanding expertise and eminent brand.

### GIVING FULL PLAY TO THE PROTECTION FUNCTION OF REINSURANCE

The Group gave full play to its reinsurance functions as a “stabiliser” and “safety valve” of the social economy and played an active role in facilitating the economic growth and harmonious and stable society in the PRC.

Through Panda Re, a special purpose vehicle established in Bermuda, China Re P&C sponsored the issuance of the first catastrophe bond linked to China earthquake risks, which raised a total amount of US\$50 million. China Continent Insurance accelerated the development of its insurance services provided for China’s “agriculture, rural areas and farmers” by actively pushed forward the development of policy-supported agricultural insurance business by providing 90.9 thousand farmers with insurance covering a potential loss of RMB3,826 million.

### EXPLORATION OF TECHNICAL INNOVATIONS AND DEDICATION TO SOCIAL GOVERNANCE

The Group paid greater attention to technical innovations and dedicated to social governance, and accelerated the development of liability insurances including environmental pollution insurance, food safety insurance, medical liability insurance and medical accidents insurance which are closely related to public interests in order to effectively promote social stability and harmony.

As a leading reinsurer in the market, China Re P&C promoted the launch of the government-supported rural building earthquake insurance pilot project in Dali Prefecture, Yunnan Province and participated in the establishment of China Urban and Rural Residential Building Earthquake Catastrophe Insurance Pool. China Re P&C played an active role as the managing agency of the CARP to develop agriculture price index insurance products in coordination with the industry participants. China Re P&C also co-designed the first earthquake index insurance product in mainland China in light of the geographical features in Yunnan and launched the environmental pollution liability insurance for petrochemical and other industries. China Re AMC successfully issued the “China Re – Binhai Environment Protection Equity Investment Plan” to facilitate the implementation of the government’s “Beijing-Tianjin-Hebei Cooperative Development Strategy”. Huatai Insurance Agency actively promoted the home appliance manufacturers and distributors insurance project to contribute to the stimulation of domestic demand and economic transformation of China.

# CORPORATE SOCIAL RESPONSIBILITY

## PARTICIPATION IN THE DEVELOPMENT OF MAJOR NATIONAL AND INDUSTRIAL PROJECTS

The Group actively took part in activities relating to major national and industrial projects and took advantage of its own strengths to promote the healthy development of the insurance industry.

The executive office of CNIP, managed by China Re Group, participated in the drafting of the Nuclear Safety Law of the PRC, which has made a significant contribution to the legislation in relation to the nuclear risk management in China. It actively implemented the requirements of the policies of the “New Ten Guidelines” in the insurance industry in relation to the establishment of nuclear insurance catastrophe liability reserve system by conducting comprehensive and in-depth investigation and research to prepare the feasibility report and relevant basic documents of reserve system and successfully held the “Fourth International Nuclear Insurance Pool System Engineers Annual Meeting”. China Re P&C, engaged by the CIRC and the Insurance Society of China, conducted the research on the “catastrophe bond utilisation and regulation” project, completed the Research Report on the Catastrophe Risk Management Cooperation between Mainland China and Taiwan, and created the “China Re P&C online service platform”, including the updated first set of PRC P&C insurance exposure curves provided by China Re P&C according to the latest industry risk profile and data analysis, as well as the high value vehicle underwriting and pricing system and the earthquake and typhoon insurance pricing system, providing public products and services to the industry and market. Engaged by the Insurance Association of China, China Re Life acted as the group leader in the project working group in relation to the amendment of “Life Insurance Disability Degrees and Claim Payment Percentage”, responsible for formulating and completing “China Insurance Disability Standard and Code” (“New Standard”) as well as collecting relevant data and analysing past experience. The New Standard was recognised as an “Outstanding Standard for National Finance Standardisation” for 2015. China Re Life was deeply involved in the project of commercial healthy insurance regarding preferential tax treatment organised by the CIRC, facilitated the preparation of the third version of life table in the insurance industry, and jointly held the Chinese General Actuaries Form for 2015 together with China Association of Actuaries.

# CORPORATE SOCIAL RESPONSIBILITY



## ACTIVE PARTICIPATION IN SIGNIFICANT ACCIDENT RISK MANAGEMENT

The Group took advantage of the protection function of insurance, improved claim settlement services, and actively and steadily took part in the settlement of safety accidents, sudden events and insurance liability incidents while performing sound disaster and damage prevention work.

Upon occurrence of the “8.12” explosion accident in Tianjin, China Re Group promptly activated its emergency response plan, established a team for on-site investigation, and strived to do sound disaster relief and claim settlement work. China Re P&C set up a claims hotline and a green channel for advance payment of known losses following disastrous events. China Re Life developed proposals and conducted special claim settlement and treatment. China Continent Insurance immediately launched claim prepayment procedures following assessment and investigation, and actively performed other follow-up claim settlement work. Huatai Insurance Agency made contributions to the timely claim settlement for the insured by submitting tens of thousands of examination reports. China Re Life actively participated in the settlement of the sinking of Dongfang Zhixing passenger cruise ship. It launched its Class II response plan for significant sudden events in order to collect information on clients’ insurance policies and provide timely claim settlement services. Huatai Insurance Agency actively participated in the settlement of Dahongmen fire accident in Beijing. It immediately organised an investigation team for on-site investigation and evidence collection and provided loss report and timely claim settlement. It vigorously took part in the settlement of the case in respect of damages caused to Chilime Hydropower Plant in Nepal, which was constructed with aid from China, in order to implement the “One Belt One Road” policy of China.



# CORPORATE SOCIAL RESPONSIBILITY

## FOCUSING ON INTERNAL OPERATION AND MANAGEMENT

The Group has been in strict compliance with the laws, regulations and rules in China and actively complying with the requirements of regulatory authorities at all levels for the insurance industry.

China Re Group has a strict procurement system in place, which protects the lawful interests of all relevant parties by adopting fair and just procedures in selecting suppliers. In order to prevent activities in violation of rules and disciplines such as embezzlement and bribery, it strengthened ethnic education of employees, expanded the report channels, set up report mailbox, hotline and email address, improved its monitoring and management system, and dealt with clues about potential problems in a timely manner.

## HIGHER PRIORITY GIVEN TO ENVIRONMENT PROTECTION AND SUSTAINABLE DEVELOPMENT

China Re Group advocates the concept of greening and environment protection, attaches great importance to enhancing employee's awareness of energy-saving and environment-protection, and is committed to providing its employees with a safe and comfortable working environment. By adopting electronic work tools including the Group's information platform, remarkable results have been achieved in paperless work. Through the management of energy saving and consumption reduction in office areas, the consumption of water, electricity, coal, gas and other energy was reduced. The Group encourages the use of teleconferences and reduces the use of vehicles owned by the Group and travel in order to lower carbon emission and energy consumption arising from business travels. The Group actively responded to the government's call for building a green ecological environment by organising employees to plant trees in order to make contribution to the protection of the ecological environment. In addition, the Group has established a safety management system and organised safety supervision, inspection, promotion and training activities to enhance employees' awareness of safety. We prohibit smoking at all workplaces to create a healthy and safe working environment.



## CORPORATE SOCIAL RESPONSIBILITY

### PROMOTION OF EMPLOYEES DEVELOPMENT AND HARMONIOUS ENTERPRISE DEVELOPMENT

The Group actively follows its people-oriented enterprise culture and adheres to its principle of “appointment based on both integrity and talent”. We draw up an “H type” career development plan for employees, provide them with guidance and suggestions on career development by the implementation of career development action plan, and promote the all-round development of employees. We have

established a sound remuneration and benefit system and developed innovative remuneration and incentive strategies to recognise the value of and contributions made by employees. By combining the use of online and offline, domestic and overseas, theoretical and practical training, we provide Directors, Supervisors, senior management and employees with continuous professional training opportunities.



We implement a philosophy of “healthy work and happy life” by actively carrying out a variety of activities among staff, which have deepened the enterprise culture building, improved the health of employees, enhanced the employer-employee relationship and motivated their passion for innovative work. We care about employees and send them birthday wishes, and visit employees in illness or poverty so that they can feel the home-like warmth from China Re Group. Each year, we organise employees to take medical examination and attend healthy seminars in order to maintain their physical and mental health and safety.

### ACTIVE SPREADING OF SOCIAL WELFARE POWER

China Re Group has been participating in the educational poverty alleviation in Xunhua County, Qinghai Province for many years, and was recognised as an “Advanced Team for Poverty Alleviation” by the CPC Qinghai Provincial Committee. In 2015, we extended the scope of impoverished undergraduates receiving the aids, increasing the number of students to 100. Every impoverished undergraduate was granted a scholarship of RMB5,000. We provided nutrition subsidies to 1,482 sets in 10 local schools, purchased 25 book shelves and 8,875 books for 11 schools, replaced 1,400 units of school desks and chairs for 20 elementary schools, and equipped eight schools with multimedia education equipment including computers and projectors.



China Re P&C organised its employees as volunteers to teach the orphans and children of poor families from Tibetan and Qiang ethnic groups at Beijing Shengji Art School and donated winter clothing to them. China Re Life provided financial aids and school supplies to impoverished students in Jingzhuang Central Elementary School. China Continent Insurance added the “safety lesson” to its “happy sports area”, donated sports equipment and safety manuals to nearly 100 elementary schools, and gave safety lessons to students. China Re AMC launched its “Aid Project for Yaogou Elementary School in Qingshuihe County, Inner Mongolia” and donated supplies including warm clothing to the school.

## EMBEDDED VALUE



To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

**Independent Actuarial Consultants' Report on China Reinsurance (Group) Corporation Embedded Value Disclosures**

## 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 the Group Company 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 embedded value (“EV”) and value of one year’s new business (“1-year VNB”) of the Covered Business. This report has been prepared for inclusion in China Re Group 2015 Annual Report. The report summarises the scope of work carried out by EY, valuation methodology, valuation results as well as valuation assumptions used for the abovementioned work.

## 2. SCOPE OF WORK

The scope of our work is as follows:

- Quantifying embedded value of China Re Group as at 31 December 2015;
- Quantifying value of one year’s new business underwritten by the Group during the 12 months prior to 31 December 2015;
- Reviewing the assumptions used for value of in-force business (“VIF”) and value of one year’s new business valuation of China Re Group;
- Performing movement analysis of embedded value; and
- Performing sensitivity tests under alternative assumptions.

## EMBEDDED VALUE

### 3. VALUATION METHODOLOGY

We prepared EV results 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, 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 China Re Group is the listed entity and the Group does not hold 100% of all companies within it, 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 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.

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.

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 CIRC officially released the notice on the implementation of the new solvency regime, known as China Risk Oriented Solvency System (“C-ROSS”) on 29 January 2016. The C-ROSS regulatory rules commenced since 1 January 2016. The CIRC is organizing a taskforce among the major market players to develop the new EV guidelines under C-ROSS. Until this report was completed, CRIC has not yet issued EV guidelines under C-ROSS.

## EMBEDDED VALUE

## 4. VALUATION RESULTS

This section summarizes embedded value and value of one year's new business results as at 31 December 2015 and the corresponding results as at prior valuation date with risk discount rate 11%.

Table 1: EV and 1-year VNB as at 31 December 2015 and 31 December 2014  
(RMB in million)

Valuation Date	31 Dec 2015	31 Dec 2014
Embedded value		
Adjusted net worth	69,957 <sup>1</sup>	53,091
including: adjusted net worth of life and health reinsurance business	12,037 <sup>2</sup>	10,380
Value of in-force business before CoC	5,026	4,181
Cost of Capital	(816)	(777)
Value of in-force business after CoC	4,210	3,404
Embedded value	74,167	56,495
including: embedded value of life and health reinsurance business	16,248	13,783
Value of new business		
Value of one year's new business before CoC	1,125	811
Cost of Capital	(191)	(169)
Value of one year's new business after CoC	934	643

Note 1: Including capital funded by IPO and dividend paid to shareholders by China Re Group;

Note 2: Including dividend paid to China Re Group by China Re Life;

Note 3: Figures may not add up due to rounding.

## EMBEDDED VALUE

### 5. MOVEMENT ANALYSIS

The table below shows movement analysis of China Re Group's EV from 31 December 2014 to 31 December 2015 with risk discount rate 11% .

**Table 2: Movement analysis of EV from 31 December 2014 to 31 December 2015**  
(RMB in million)

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2014	13,783	
2	Adjustments to EV at the beginning of the period due to changes of valuation methodology and model	(81)	Changes in valuation methodology and model improvement
3	Expected return on EV at the beginning of the year	1,190	Expected return on EV of 2014 in the year of 2015
4	Impact of new business	916	Impact of new ceded life and health reinsurance business in the year of 2015
5	Impact of market value adjustments	164	Changes in asset market value adjustments and relevant tax adjustments
6	Economic experience variances	1,161	Difference between actual investment income and expected investment income in the year of 2015
7	Operating experience variances	419	Difference between actual operational experience and expected operational results in the year of 2015
8	Economic assumption changes	19	Adjustments to economic assumptions
9	Operating assumption changes	(266)	Adjustments to operational assumptions
10	Others	(26)	
11	Capital injection and shareholder dividend payment	(1,033)	China Re Life paid dividend to China Re Group
12	EV of life and health reinsurance business as at 31 December 2015	16,248	
13	ANW of the Group's other business as at 31 December 2014	42,711	
14	Profit from other business in the year of 2015	4,952	

## EMBEDDED VALUE

No.	Item	Amount	Details
15	Impact of market value adjustments	289	Changes in the asset market value adjustments and relevant tax adjustments
16	Others	12	
17	Capital injection and shareholder dividend payment	9,956	Capital funded by IPO, dividend paid to China Re Group by China Re Life and dividend paid to shareholders by China Re Group
18	EV of other business of the Group as at 31 December 2015	57,920	
19	EV of the Group as at 31 December 2015	74,167	

Note: Figures may not add up due to rounding.

## 6. VALUATION ASSUMPTIONS

The assumptions used in embedded value and value of one year's new business calculation as at the valuation date have been made under a "going concern" basis, assuming continuation of the economic and regulatory environment currently prevailing in China, and the standards used to calculate statutory reserve and minimum required capital. Various operating actuarial assumptions were set mainly based on internal experience analysis results, and with reference to the experience in China insurance market and the outlook of future trend of the experience assumptions. Therefore, this represents the best estimate of future valuation assumptions based on the available information as at the valuation date.

The assumptions applied in the valuation of EV and 1-year VNB of China Re Group as at 31 December 2015 are summarized as below.

### Risk Discount Rate

This report illustrates EV and 1-year VNB results by using risk discount rate 11%.

## EMBEDDED VALUE

### Investment Return Rates

The following table summarizes the assumptions of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2015:

**Table 3: Assumptions of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2015**

	2016	2017	2018	2019	2020 -2025	2025+
Non asset-driven business	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Asset-driven business – Domestic	6.5%	6.5%	5.5%	5.5%	5.5%	5.5%
Asset-driven business – Overseas	6.5%	6.5%	6.5%	6.5%	6.5%	5.5%

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

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

### 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 assumptions of 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.

## EMBEDDED VALUE

### Short-term ceded business

Short-term ceded business refers to the reinsurance business for short-term original insurance with the policy term of one year or less. The original 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 recent years.

### Discontinuance Rates

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

### Expenses

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

The commission rates, sliding scale commission rates and profit commission rates for short-term 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 is 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 have been adopted, and it is assumed that such supervision fee standards 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 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.

## EMBEDDED VALUE

### Cost of Holding Required Capital

In the calculation of VIF and 1-year VNB, we assume the level of required capital as 100% of the minimum required capital, i.e. sufficient to be classified as Adequate Level I.

## 7. SENSITIVITY

We have performed a series of sensitivity tests on alternative assumptions for embedded value and value of one year's new business of the life and health reinsurance business of China Re Group as at 31 December 2015. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

**Table 4: Sensitivity Test Results of VIF and 1-year VNB of China Re Group as at 31 December 2015**  
(RMB in million)

Scenarios	Value of in-force business after Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	4,210	934
Risk discount rate of 12%	3,861	857
Risk discount rate of 10%	4,604	1,021
Annual investment return rates increased by 50 basis points	4,987	1,047
Annual investment return rates decreased by 50 basis points	3,431	820
Mortality and morbidity rates increased by 10%	4,151	933
Mortality and morbidity rates decreased by 10%	4,266	935
Discontinuance rates increased by 10%	4,173	913
Discontinuance rates decreased by 10%	4,248	955
Management expenses increased by 10%	4,168	919
Management expenses decreased by 10%	4,252	948
Combined ratio of short term reinsurance contract increased by one percentage point	4,137	884
Combined ratio of short term reinsurance contract decreased by one percentage point	4,283	983
Required capital is 150% of minimum capital requirement	3,803	838

## 8. 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 31 December 2015.

In particular, we have relied on:

- Information regarding to 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 to the accumulated amount of the in-force survival benefit and policy dividend of the Group Company and China Re Life;
- Information regarding to the statutory reserve and accounting reserve of the Group Company and China Re Life;
- Information regarding to gross written premium from short-term ceded business of the Group Company and China Re Life;
- Information regarding to the ceded gross premium 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 to the experience statistics and experience analysis results of the Group Company and China Re Life in 2012, 2013, 2014 and 2015;
- Information regarding to the future investment strategy and tax exempted proportion of investment income of the Group Company and China Re Life; and
- Information regarding to foreign currency policies and foreign exchange rate of the Group Company and China Re Life.

We have reviewed the reasonableness of the limited information obtained and checked its consistency with our understanding of China 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

Embedded value and value of one year's new business highly depend on the results of financial projection. In performing the projection, numerous assumptions have been made, including but not limited to macroeconomic environment and investment strategy, operational costs, taxation policy, discontinuance rate, mortality rate, morbidity rate and regulations. Changes in the internal or external environment may affect the stability of the parameters used in the projection and could change the projection results materially.

This report is based on the information obtained by EY as at 31 December 2015, any future development and changes of such information after that date have not been accounted for.

### 9. DISCLOSURE

EY had been engaged by China Re Group in providing opinions and assistance regarding to actuarial matters of embedded value of life and health reinsurance business of China Re Group. 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 consultants' report.

On behalf of  
**Ernst & Young (China) Advisory Limited**

**Bonny Fu, FSA**  
*Partner, Actuarial and Insurance Advisory Services*

# INDEPENDENT AUDITOR'S REPORT



## **Independent auditor's report to the shareholders of China Reinsurance (Group) Corporation** *(a joint stock company incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 119 to 228, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

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

30 March 2016

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	2015	2014
Gross written premiums	5	80,433,557	73,752,706
Less: Premiums ceded to reinsurers and retrocessionaires	5	(5,754,975)	(4,191,500)
Net written premiums	5	74,678,582	69,561,206
Changes in unearned premium reserves	6	(1,442,148)	(708,798)
Net premiums earned		73,236,434	68,852,408
Reinsurance commission income		705,982	786,632
Investment income	7	11,696,420	7,633,167
Including:			
Negative goodwill arising from reclassification of investments in associates		–	2,066,311
Exchange gains/(losses), net		152,446	(93,391)
Other income	8	526,483	620,314
<b>Total income</b>		<b>86,317,765</b>	<b>77,799,130</b>

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED INCOME STATEMENT (continued)

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
<b>Total income</b>		<b>86,317,765</b>	<b>77,799,130</b>
Claims and policyholders' benefits	9	(50,097,164)	(50,377,066)
– Claims incurred		(34,949,502)	(34,143,650)
– Life and health reinsurance death and other benefits paid		(7,153,330)	(11,297,780)
– Changes in long-term life and health reinsurance contract liabilities		(7,994,332)	(4,935,636)
Handling charges and commissions	10	(16,425,506)	(13,226,446)
Finance costs	11	(141,434)	(130,311)
Other operating and administrative expenses	12	(11,020,876)	(7,952,399)
<b>Total benefits, claims and expenses</b>		<b>(77,684,980)</b>	<b>(71,686,222)</b>
Share of profits of associates		1,256,091	893,860
<b>Profit before tax</b>	<b>13</b>	<b>9,888,876</b>	<b>7,006,768</b>
Income tax	16	(2,214,098)	(1,531,205)
<b>Profit for the year</b>		<b>7,674,778</b>	<b>5,475,563</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		7,578,810	5,404,320
Non-controlling interests		95,968	71,243
<b>Profit for the year</b>		<b>7,674,778</b>	<b>5,475,563</b>
<b>Earnings per share (in RMB)</b>	<b>17</b>		
– Basic		0.20	0.15
– Diluted		0.20	0.15

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	2015	2014
<b>Profit for the year</b>		<b>7,674,778</b>	<b>5,475,563</b>
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability	42(a)	(7,447)	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		104,845	102,605
Available-for-sale financial assets		(301,504)	3,587,290
Exchange differences on translation of financial statements of overseas subsidiaries		7,102	(5,617)
Other comprehensive income for the year after tax	18	(197,004)	3,684,278
<b>Total comprehensive income for the year</b>		<b>7,477,774</b>	<b>9,159,841</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		7,371,144	9,036,536
Non-controlling interests		106,630	123,305
<b>Total comprehensive income for the year</b>		<b>7,477,774</b>	<b>9,159,841</b>

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Note	2015	2014
<b>Assets</b>			
Cash and short-term time deposits	19	20,448,273	7,904,122
Financial assets at fair value through profit or loss	20	10,011,755	2,538,290
Financial assets held under resale agreements	21	1,288,501	1,155,100
Premiums receivable	22	860,078	589,138
Reinsurance debtors	23	23,292,207	11,733,594
Reinsurers' share of insurance contract liabilities	24	8,699,269	5,058,427
Time deposits	25	27,890,005	31,961,589
Available-for-sale financial assets	26	50,186,175	45,933,623
Held-to-maturity investments	27	19,077,930	18,186,456
Investments classified as loans and receivables	28	13,810,000	12,945,000
Policy loans		302,561	235,269
Investment contracts receivable	29	109,343,386	14,592,612
Investments in associates	31	8,817,229	7,708,646
Statutory deposits	32	14,584,415	12,180,351
Investment property	33	3,191,767	433,094
Property and equipment	34	2,559,206	2,564,604
Intangible assets	35	336,172	313,868
Goodwill	36	1,188,538	1,188,538
Deferred tax assets	37	352,818	441,955
Other assets	38	12,753,016	12,010,902
<b>Total assets</b>		<b>328,993,301</b>	<b>189,675,178</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Securities sold under agreements to repurchase	39	6,470,650	2,308,800
Reinsurance payables		6,020,044	4,697,941
Income tax payable		387,658	659,950
Policyholders' deposits		927,332	950,745
Investment contract liabilities	40	118,992,978	21,192,010
Insurance contract liabilities	41	112,690,378	97,245,538
Deferred tax liabilities	37	1,509,188	1,403,586
Other liabilities	42	11,038,177	6,581,900
<b>Total liabilities</b>		<b>258,036,405</b>	<b>135,040,470</b>

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	<i>Note</i>	2015	2014
<b>Equity</b>			
Share capital	43	42,479,808	36,407,611
Reserves	44	14,280,286	6,167,430
Retained profits	44	13,427,137	11,318,253
Total equity attributable to equity shareholders of the Company		70,187,231	53,893,294
Non-controlling interests		769,665	741,414
<b>Total equity</b>		<b>70,956,896</b>	<b>54,634,708</b>
<b>Total liabilities and equity</b>		<b>328,993,301</b>	<b>189,675,178</b>

Approved and authorized for issue by the board of directors on 30 March 2016.

\_\_\_\_\_  
Wang Pingsheng  
Vice Chairman

\_\_\_\_\_  
Kou Riming  
Vice President, responsible for accounting

\_\_\_\_\_  
Ling Fei  
General Manager of the  
Finance Department

\_\_\_\_\_  
Tian Meipan  
Chief Actuary

\_\_\_\_\_  
China Reinsurance (Group)  
Corporation  
(Company Chop)

The accompanying notes on pages 127 to 228 form part of these financial statements.

## FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Company												
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Reserves					Non-controlling interests	Total equity	
						Agriculture catastrophic loss reserve	Defined benefit reinsurance 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 year													
Profit for the year		-	-	-	-	-	-	-	-	7,578,810	7,578,810	95,968	7,674,778
Other comprehensive income	18	-	-	-	-	-	(7,447)	(207,321)	7,102	-	(207,666)	10,662	(197,004)
Total comprehensive income		-	-	-	-	-	(7,447)	(207,321)	7,102	7,578,810	7,371,144	106,630	7,477,774
Issue of H-shares		6,072,197	7,001,722	-	-	-	-	-	-	-	13,073,919	-	13,073,919
Appropriations to surplus reserve		-	-	351,495	-	-	-	-	-	(351,495)	-	-	-
Appropriations to general risk reserve		-	-	-	958,438	-	-	-	-	(958,438)	-	-	-
Distribution to shareholders		-	-	-	-	-	-	-	-	(4,150,025)	(4,150,025)	(34,748)	(4,184,773)
Appropriations to agriculture catastrophic loss reserve		-	-	-	-	9,968	-	-	-	(9,968)	-	-	-
Others		-	(1,101)	-	-	-	-	-	-	-	(1,101)	(43,631)	(44,732)
Balance at 31 December 2015		42,479,808	8,166,871	1,049,322	2,703,438	9,968	(7,447)	2,356,496	1,638	13,427,137	70,187,231	769,665	70,956,896

The accompanying notes on pages 127 to 228 form part of these financial statements.

## FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2014

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Company											
	Note	Reserves								Non-controlling interests	Total equity	
		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 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)	-	-	-
Distribution 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

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
<b>Operating activities</b>			
Cash generated from operations	46(a)	227,725	9,991,360
Income tax paid		(2,224,672)	(1,241,189)
<b>Net cash flows (used in)/generated from operating activities</b>		<u>(1,996,947)</u>	<u>8,750,171</u>
<b>Investing activities</b>			
Interests received		5,216,319	5,282,086
Dividends received		936,536	630,169
Purchases of property and equipment, investment property and intangible assets		(587,847)	(2,609,005)
Proceeds from disposals of property and equipment and intangible assets		31,585	3,425
Purchases of investments		(120,915,085)	(49,846,835)
Proceeds from disposals of investments		114,496,751	38,669,670
Disposal of subsidiaries		36,757	–
Disposals of associates		831,533	–
Investments in associates		(621,535)	(100,000)
<b>Net cash flows used in investing activities</b>		<u>(574,986)</u>	<u>(7,970,490)</u>
<b>Financing activities</b>			
Proceeds from shares issued		13,443,496	–
Payment for shares issued		(21,444)	–
Interests paid		(140,126)	(131,867)
Dividends paid to shareholders of the Company		(728,152)	(436,891)
Dividends paid by subsidiaries to non-controlling interests		(904)	(1,308)
Acquisition of non-controlling interests		–	(64)
Securities sold under agreements to repurchase, net		2,961,363	(1,172,080)
<b>Net cash flows generated from/(used in) financing activities</b>		<u>15,514,233</u>	<u>(1,742,210)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		12,942,300	(962,529)
Cash and cash equivalents at the beginning of the year		6,370,718	7,395,518
Effect of foreign exchange rate changes		559,880	(62,271)
<b>Cash and cash equivalents at the end of the year</b>	46(b)	<u>19,872,898</u>	<u>6,370,718</u>

The accompanying notes on pages 127 to 228 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 1 CORPORATE INFORMATION

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

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

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

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.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (1) Statement of compliance

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

For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the current accounting period, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2015. The revised and new accounting standards and interpretations issued but not yet effective for the year ended 31 December 2015 are set out in Note 53.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (2) Basis of measurement

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

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

- financial instruments classified as available-for-sale or as trading securities (see Note 2(10)).
- reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods (see Note 2(21)).

#### (3) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (4) Use of estimates and judgements

The preparation of financial statements 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 statements and major sources of estimation uncertainty are discussed in Note 3.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (5) 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(10)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(18)(b)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (6) 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(7) and (18)(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(10)).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (6) Associates and joint ventures (continued)

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).

#### (7) 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(18)(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.

#### (8) 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.

#### (9) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (9) Translation of foreign currencies (continued)

The functional currencies of certain foreign operations are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period and their income statements are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. 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.

#### (10) 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(23)(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(18)(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(18)(a)).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (10) Other investments in debt and equity securities (continued)

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(18)(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(23)(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(18)(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.

#### (11) 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.

#### (12) 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(18)(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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (13) 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.

#### (14) 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 reporting period 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.

#### (15) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(18)(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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (15) Property and equipment (continued)

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(18)(b)), and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

#### (16) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (16) Intangible assets (other than goodwill) (continued)

##### Software

Purchased software is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(18)(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
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Both the period and method of amortisation are reviewed annually.

#### (17) Share capital

##### Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### (18) 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 reporting period 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (18) Impairment of assets (continued)

##### (a) Impairment of financial assets (continued)

*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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (18) Impairment of assets (continued)

##### (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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (19) 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.

#### (20) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) 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 the reporting period.

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 insureds, 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 the reporting period.

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) Insurance contract liabilities (continued)

##### Unearned premium reserves (continued)

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) Insurance contract liabilities (continued)

##### 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) Insurance contract liabilities (continued)

##### 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.

#### (22) 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.

#### (23) 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 reporting period. 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (23) Revenue recognition (continued)

##### (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.

#### (24) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (25) 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(15). Impairment losses are recognised in accordance with the accounting policies described in Note 2(18)(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.

#### (26) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (26) Income tax (continued)

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (27) 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.

#### (28) 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.

#### (29) 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);

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (29) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(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); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

#### (30) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements 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 statements.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (1) Critical accounting judgements in applying the Group's accounting policies (continued)

##### (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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (1) Critical accounting judgements in applying the Group's accounting policies (continued)

##### (e) Significant influence when less than 20% of voting power is held (continued)

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 31 to the financial statements.

#### (2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period 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 the reporting period.

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (a) Insurance risk significance test (continued)

###### (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 the reporting period.

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (b) Reinsurance premium

For reinsurance contracts, the Group estimates the ultimate premium collected by cedants during the reporting period, 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 2015 is 3.1%-3.6% (31 December 2014: 3.1%-4.6%).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (c) Insurance contract liabilities (continued)

##### (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 2015 is 3.6%-6.0% (31 December 2014: 3.7%-6.1%).

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (c) Insurance contract liabilities (continued)

##### (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 2015 is 3.1%-3.3% (31 December 2014: 3.1%-3.3%).

##### (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(18)(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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (d) Fair value of financial instruments (continued)

- 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 42 to the financial statements.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty (continued)

##### (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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 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 statements, geographical segmental information is not presented.

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

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 SEGMENT INFORMATION (continued)

	2015						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	31,923,511	22,977,842	26,684,575	-	-	(1,152,371)	80,433,557
Less: Premiums ceded to reinsurers and retrocessionaires	(590,166)	(4,201,622)	(2,112,776)	-	-	1,149,589	(5,754,975)
Net written premiums	31,333,345	18,776,220	24,571,799	-	-	(2,782)	74,678,582
Changes in unearned premium reserves	270,757	(186,657)	(1,658,945)	-	-	132,697	(1,442,148)
Net premiums earned	31,604,102	18,589,563	22,912,854	-	-	129,915	73,236,434
Reinsurance commission income	49,642	433,291	580,883	-	-	(357,834)	705,982
Investment income	3,704,837	4,764,575	2,363,306	32,464	2,900,216	(2,068,978)	11,696,420
Exchange gains/(losses), net	95,632	15,043	34,567	591	18,730	(12,117)	152,446
Other income	19,962	127,365	106,647	307,047	266,200	(300,738)	526,483
<b>Total income</b>	<b>35,474,175</b>	<b>23,929,837</b>	<b>25,998,257</b>	<b>340,102</b>	<b>3,185,146</b>	<b>(2,609,752)</b>	<b>86,317,765</b>
- External income	34,440,645	23,929,785	26,790,728	98,765	1,057,842	-	86,317,765
- Inter-segment income	1,033,530	52	(792,471)	241,337	2,127,304	(2,609,752)	-
Claims and policyholders' benefits	(19,294,973)	(18,102,000)	(12,689,432)	-	-	(10,759)	(50,097,164)
- Claims incurred	(19,294,973)	(2,953,785)	(12,689,432)	-	-	(11,312)	(34,949,502)
- Life and health reinsurance death and other benefits paid	-	(7,153,330)	-	-	-	-	(7,153,330)
- Changes in long-term life and health reinsurance contract liabilities	-	(7,994,885)	-	-	-	553	(7,994,332)
Handling charges and commissions	(11,723,015)	(2,449,751)	(2,616,702)	-	-	363,962	(16,425,506)
Finance costs	(24,975)	(84,475)	(16,133)	(379)	(15,472)	-	(141,434)
Other operating and administrative expenses	(509,996)	(786,796)	(8,905,300)	(334,326)	(784,334)	299,876	(11,020,876)
<b>Total benefits, claims and expenses</b>	<b>(31,552,959)</b>	<b>(21,423,022)</b>	<b>(24,227,567)</b>	<b>(334,705)</b>	<b>(799,806)</b>	<b>653,079</b>	<b>(77,684,980)</b>
Share of profits of associates	6,624	721,957	223	-	527,956	(669)	1,256,091
Profit before tax	3,927,840	3,228,772	1,770,913	5,397	2,913,296	(1,957,342)	9,888,876
Income tax	(846,897)	(697,959)	(419,335)	(3,170)	(208,427)	(38,310)	(2,214,098)
<b>Profit for the year</b>	<b>3,080,943</b>	<b>2,530,813</b>	<b>1,351,578</b>	<b>2,227</b>	<b>2,704,869</b>	<b>(1,995,652)</b>	<b>7,674,778</b>

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 SEGMENT INFORMATION (continued)

	2014						Total
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	
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
<b>Total income</b>	<b>33,196,539</b>	<b>22,037,652</b>	<b>21,336,532</b>	<b>299,248</b>	<b>1,565,978</b>	<b>(636,819)</b>	<b>77,799,130</b>
– 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)
<b>Total benefits, claims and expenses</b>	<b>(30,501,375)</b>	<b>(20,698,092)</b>	<b>(20,196,599)</b>	<b>(281,038)</b>	<b>(652,048)</b>	<b>642,930</b>	<b>(71,686,222)</b>
Share of profits of associates	5,675	474,242	6,075	–	425,292	(17,424)	893,860
<b>Profit before tax</b>	<b>2,700,839</b>	<b>1,813,802</b>	<b>1,146,008</b>	<b>18,210</b>	<b>1,339,222</b>	<b>(11,313)</b>	<b>7,006,768</b>
Income tax	(557,963)	(398,573)	(272,773)	(5,407)	(299,613)	3,124	(1,531,205)
<b>Profit for the year</b>	<b>2,142,876</b>	<b>1,415,229</b>	<b>873,235</b>	<b>12,803</b>	<b>1,039,609</b>	<b>(8,189)</b>	<b>5,475,563</b>

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 SEGMENT INFORMATION (continued)

	2015						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	56,693,753	197,510,509	38,602,683	855,132	63,448,685	(28,117,461)	328,993,301
Segment liabilities	(39,191,063)	(184,794,565)	(27,802,842)	(270,020)	(10,607,404)	4,629,489	(258,036,405)
<b>Other segment information</b>							
Capital expenditures	(87,307)	(116,073)	(268,050)	(18,208)	(98,209)	-	(587,847)
Depreciation and amortisation	(4,912)	(22,973)	(176,488)	(7,129)	(79,682)	-	(291,184)
Interest income	1,517,514	2,459,522	1,054,382	17,097	662,782	-	5,711,297
Impairment loss charges	(13,938)	(15,352)	(214,458)	-	(14,614)	-	(258,362)
	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)
<b>Other segment information</b>							
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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5 GROSS AND NET WRITTEN PREMIUMS

#### (a) Gross written premiums

	2015	2014
Long-term life and health reinsurance	16,901,869	15,220,825
Short-term life and health reinsurance	6,075,973	5,859,756
Property and casualty reinsurance	30,869,777	30,316,219
Primary property and casualty insurance	26,585,938	22,355,906
Total	<u>80,433,557</u>	<u>73,752,706</u>

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

	2015	2014
Long-term life and health reinsurance	2,499,205	1,018,065
Short-term life and health reinsurance	1,702,417	1,514,319
Property and casualty reinsurance	586,581	630,219
Primary property and casualty insurance	966,772	1,028,897
Total	<u>5,754,975</u>	<u>4,191,500</u>

#### (c) Net written premiums

	2015	2014
Net written premiums	<u>74,678,582</u>	<u>69,561,206</u>

### 6 CHANGES IN UNEARNED PREMIUM RESERVES

	2015	2014
Short-term life and health reinsurance	186,657	112,714
Property and casualty reinsurance	(376,492)	(474,548)
Primary property and casualty insurance	1,631,983	1,070,632
Total	<u>1,442,148</u>	<u>708,798</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 7 INVESTMENT INCOME

	2015	2014
Interest, dividend and rental income (a)	6,460,335	5,816,444
Realised gains/(losses) (b)	5,257,664	(304,647)
Unrealised (losses)/gains (c)	(29,723)	55,059
Negative goodwill arising from reclassification of investments in associates	–	2,066,311
Negative goodwill arising from investments in associates	77,347	–
Impairment losses (d)	(69,203)	–
Total	<u>11,696,420</u>	<u>7,633,167</u>

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

	2015	2014
Interest income		
Current and time deposits	2,434,161	2,593,148
Debt securities		
– Held-to-maturity	975,255	955,578
– Available-for-sale	1,358,996	1,162,668
– Held-for-trading	29,573	48,194
– Loans and receivables	890,418	671,313
Financial assets held under resale agreements	17,720	25,400
Policy loans	5,174	4,367
Subtotal	<u>5,711,297</u>	<u>5,460,668</u>
Dividend income		
Equity securities		
– Available-for-sale	618,851	284,718
– Held-for-trading	86,648	30,222
Subtotal	<u>705,499</u>	<u>314,940</u>
Rental income from investment property	<u>43,539</u>	<u>40,836</u>
Total	<u>6,460,335</u>	<u>5,816,444</u>

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 7 INVESTMENT INCOME (continued)

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

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

	2015	2014
Dividend income		
Listed equity securities	380,803	241,607
Unlisted equity securities	324,696	73,333
Total	705,499	314,940

## (b) Realised gains/(losses)

	2015	2014
Debt securities		
– Available-for-sale	27,843	5,317
– Held-for-trading	(6,847)	348,479
Equity securities		
– Available-for-sale	4,630,002	(677,832)
– Held-for-trading	404,572	19,389
– Investments in associates	202,094	–
Total	5,257,664	(304,647)

## (c) Unrealised (losses)/gains

	2015	2014
Debt securities		
– Held-for-trading	18,558	47,292
Equity securities		
– Held-for-trading	(48,281)	7,767
Total	(29,723)	55,059

## (d) Impairment losses

	2015	2014
Equity securities		
– Available-for-sale	(69,203)	–
Total	(69,203)	–

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 OTHER INCOME

	2015	2014
Fee income from insurance brokerage services	165,370	147,509
Interest income from deposits retained by cedants	117,012	206,363
Commission income arising from the tax collection of motor vehicles and vessels	87,039	72,079
Management fee income	72,397	54,548
Government grants	4,749	41,277
Guarantee fee income	3,414	7,188
Income from the disposals of property and equipment, and intangible assets	2,721	8,543
Others	73,781	82,807
<b>Total</b>	<b>526,483</b>	<b>620,314</b>

### 9 CLAIMS AND POLICYHOLDERS' BENEFITS

	2015		
	Gross	Ceded	Net
Claims incurred	38,461,689	(3,512,187)	34,949,502
– Short-term life and health reinsurance	4,124,060	(1,170,275)	2,953,785
– Property and casualty reinsurance	18,312,717	(443,794)	17,868,923
– Primary property and casualty insurance	16,024,912	(1,898,118)	14,126,794
Life and health reinsurance death and other benefits paid	8,208,572	(1,055,242)	7,153,330
Changes in long-term life and health reinsurance contract liabilities	9,530,824	(1,536,492)	7,994,332
<b>Total</b>	<b>56,201,085</b>	<b>(6,103,921)</b>	<b>50,097,164</b>

	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
<b>Total</b>	<b>53,979,984</b>	<b>(3,602,918)</b>	<b>50,377,066</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 10 HANDLING CHARGES AND COMMISSIONS

	2015	2014
Long-term life and health reinsurance	1,098,942	(577,583)
Short-term life and health reinsurance	1,350,809	1,567,419
Property and casualty reinsurance	11,389,465	10,031,734
Primary property and casualty insurance	2,586,290	2,204,876
Total	<u>16,425,506</u>	<u>13,226,446</u>

### 11 FINANCE COSTS

	2015	2014
Interests expenses		
Securities sold under agreements to repurchase	141,434	130,311

### 12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2015	2014
Employee costs	3,372,374	2,765,331
Business taxes and surcharges	1,809,408	1,269,318
Advertising and promotion expenses	1,579,077	760,863
Office and travel expenses	910,383	777,956
Interests expenses of policyholders' deposits and investment contracts	343,536	279,722
Rental expenses	324,708	266,201
Depreciation and amortisation	230,887	223,561
Insurance protection fund	211,077	178,864
Regulatory fees	46,538	83,602
Losses on disposals of non-current assets	3,414	2,577
Impairment losses charges/(reversals)	189,159	(11,378)
Others	2,000,315	1,355,782
Total	<u>11,020,876</u>	<u>7,952,399</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 PROFIT BEFORE TAX

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

	2015	2014
Employee costs (including directors' and supervisors' emoluments) (a) (note)	3,960,987	3,140,184
Depreciation of property and equipment (note)	210,486	185,002
Depreciation of investment property (note)	26,714	26,714
Amortisation of intangible assets (note)	53,984	54,369
Rental expenses (note)	389,823	324,111
Auditors' remuneration	9,480	3,100
Impairment losses on available-for-sale financial assets	69,203	–
Impairment losses/(reversal) on premiums receivable	18,107	(5,766)
Impairment (reversal)/losses on reinsurance debtors	(3,558)	9,513
Impairment losses/(reversal) on other assets	174,610	(15,125)

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

	2015	2014
Salaries, allowances and performance related bonuses	3,008,381	2,455,711
Contributions to defined contribution plan	828,209	684,473
Contributions to defined benefit retirement plan	124,397	–
Total	3,960,987	3,140,184

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 DIRECTORS' AND SUPERVISORS' REMUNERATION

	2015				Total
	Director' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	
<b>Executive directors</b>					
Mr. Li Peiyu	–	305	358	196	859
Mr. Zhang Hong	–	307	358	183	848
Mr. Wang Pingsheng	–	279	323	179	781
Mr. Ren Xiaobing	–	279	323	179	781
<b>Non-executive directors</b>					
Ms. Lu Xiuli	–	–	–	–	–
Mr. Shen Shuhai	–	–	–	–	–
<b>Independent non-executive directors</b>					
Ms. Wang Jun	213	–	–	–	213
Mr. Hao Yansu	213	–	–	–	213
Mr. Li Sanxi	213	–	–	–	213
Ms. Mok Kam Sheung (i)	104	–	–	–	104
<b>Supervisors</b>					
Mr. Wang Yonggang	–	307	358	182	847
Mr. Wei Shiping	–	–	–	–	–
Mr. Zhu Yong	–	–	–	–	–
Mr. Cao Shunming	–	667	584	218	1,469
Mr. Lin Wei	–	640	444	211	1,295
<b>Total</b>	<b>743</b>	<b>2,784</b>	<b>2,748</b>	<b>1,348</b>	<b>7,623</b>

(i) Ms. Mok Kam Sheung was appointed as independent non-executive director since 6 August 2015.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	2014				Total
	Director' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plan	
<b>Executive directors</b>					
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
<b>Non-executive directors</b>					
Ms. Lu Xiuli (ii)	–	–	–	–	–
Mr. Shen Shuhai (ii)	–	–	–	–	–
<b>Independent non-executive directors</b>					
Mr. Li Xiaoying (iii)	200	–	–	–	200
Ms. Li Xiufang (iii)	200	–	–	–	200
Ms. Wang Jun	200	–	–	–	200
Mr. Hao Yansu (iv)	–	–	–	–	–
Mr. Li Sanxi (iv)	–	–	–	–	–
<b>Supervisors</b>					
Mr. Wang Yonggang	–	419	826	237	1,482
Mr. Wei Shiping	–	–	–	–	–
Mr. Ouyang Jinbao (v)	–	–	–	–	–
Mr. Qin Hongbo (v)	–	625	649	226	1,500
Mr. Fan Guosheng (v)	–	479	359	185	1,023
Mr. Zhu Yong (vi)	–	–	–	–	–
Mr. Cao Shunming (vi)	–	625	649	214	1,488
Mr. Lin Wei (vi)	–	601	494	215	1,310
<b>Total</b>	<b>600</b>	<b>4,465</b>	<b>6,397</b>	<b>2,039</b>	<b>13,501</b>

(ii) Ms. Lu Xiuli and Mr. Shen Shuhai were appointed as non-executive directors since 29 December 2014.

(iii) Mr. Li Xiaoying and Ms. Li Xiufang retired from independent non-executive directors with effect from 29 December 2014.

(iv) Mr. Hao Yansu and Mr. Li Sanxi were appointed as independent non-executive directors since 29 December 2014.

(v) Mr. Ouyang Jinbao, Mr. Qin Hongbo and Mr. Fan Guosheng retired from supervisors with effect from 29 December 2014.

(vi) Mr. Zhu Yong, Mr. Cao Shunming and Mr. Lin Wei were appointed as supervisors since 29 December 2014.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

	2015	2014
Salaries, allowance and benefits in kind	6,242	4,944
Discretionary bonus	9,549	8,144
Contributions to defined contribution plan	981	951
Total	16,772	14,039

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose remuneration fell within the following bands is as follows:

	2015	2014
RMB 2,000,001 to RMB 2,500,000	–	2
RMB 2,500,001 to RMB 3,000,000	3	2
RMB 3,000,001 to RMB 3,500,000	–	–
RMB 3,500,001 to RMB 4,000,000	1	1
RMB 4,000,001 to RMB 4,500,000	1	–
Total	5	5

### 16 INCOME TAX

	2015	2014
Current income tax		
Charge for the year	1,948,207	1,623,347
Under/(over)-provision in respect of prior years	5,525	(1,143)
Deferred income tax	260,366	(90,999)
Total	2,214,098	1,531,205

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 INCOME TAX (continued)

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

	2015	2014
Profit before tax	9,888,876	7,006,768
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned (note)	2,956,244	1,750,699
Tax effect of non-deductible expenses	114,430	26,750
Tax effect of non-taxable income	(894,554)	(263,136)
Tax effect of unused tax losses not recognised	9,825	118
Tax effect of using unrecognised tax losses	–	(33)
Under/(over)-provision in prior years	5,525	(1,143)
Withheld income tax on dividends	22,628	17,950
Income tax	<u>2,214,098</u>	<u>1,531,205</u>

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the reporting period. 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 reporting period as follows:

	2015	2014
Net profit attributable to the equity shareholders of the Company	7,578,810	5,404,320
Weighted average number of ordinary shares (in thousands) (a)	37,488,204	36,407,611
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)	<u>0.20</u>	<u>0.15</u>

There were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share for the reporting period.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 EARNINGS PER SHARE (continued)

#### (a) Weighted average number of ordinary shares (in thousands)

	2015	2014
Issued ordinary shares at 1 January	36,407,611	36,407,611
Effect of share issue	1,080,593	–
Weighted average number of ordinary shares at 31 December	<u>37,488,204</u>	<u>36,407,611</u>

### 18 OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX

	2015	2014
<b>Items that may not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability	(7,447)	–
Sub-total	(7,447)	–
<b>Items that may be reclassified subsequently to profit or loss</b>		
Share of other comprehensive income of associates <sup>7</sup>	139,867	136,807
Income tax	(35,022)	(34,202)
Sub-total	104,845	102,605
Gains arising from changes in fair value of available-for-sale financial assets	4,186,636	4,103,555
Less: Reclassification adjustments for amounts transferred to profit or loss		
– (Gains)/losses on disposal	(4,657,845)	672,515
– Impairment losses	69,203	–
Income tax	100,502	(1,188,780)
Sub-total	(301,504)	3,587,290
Exchange differences on translation of financial statements of overseas subsidiaries	7,102	(5,617)
Total	<u>(197,004)</u>	<u>3,684,278</u>
Attributable to:		
Equity shareholders of the Company	(207,666)	3,632,216
Non-controlling interests	10,662	52,062
Total	<u>(197,004)</u>	<u>3,684,278</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 CASH AND SHORT-TERM TIME DEPOSITS

	2015	2014
Cash at banks and on hand	19,257,208	6,136,102
Time deposits with original maturity of no more than three months	974,302	1,502,539
Other monetary funds	216,763	265,481
Total	<u>20,448,273</u>	<u>7,904,122</u>

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

	2015	2014
<b>Listed</b>		
<b>Debt securities</b>		
Government bonds	–	82
Corporate bonds	6,365	–
<b>Equity securities</b>		
Investment funds	–	4,567
Equity shares	542,022	540,914
Sub-total	<u>548,387</u>	<u>545,563</u>
<b>Unlisted</b>		
<b>Debt securities</b>		
Government bonds	19,572	19,113
Financial bonds	405,892	583,606
Corporate bonds	20,156	69,405
<b>Equity securities</b>		
Investment funds	9,017,748	1,320,603
Sub-total	<u>9,463,368</u>	<u>1,992,727</u>
Total	<u>10,011,755</u>	<u>2,538,290</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements of the Group contain only securities held under resale agreements, with details as follows:

	2015	2014
Securities – bonds		
Stock exchange	1,288,501	1,155,100
Total	1,288,501	1,155,100

### 22 PREMIUMS RECEIVABLE

	2015	2014
Premiums receivable	928,666	644,234
Less: impairment provision	(68,588)	(55,096)
Carrying amount	860,078	589,138

#### (a) Ageing analysis

	2015	2014
Within 3 months (inclusive)	703,437	490,228
3 months to 1 year (inclusive)	156,641	98,910
1 to 2 years (inclusive)	33,587	55,096
Over 2 years	35,001	–
Sub-total	928,666	644,234
Less: impairment provision	(68,588)	(55,096)
Total	860,078	589,138

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 PREMIUMS RECEIVABLE (continued)

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

	2015	2014
Balance at the beginning of the year	55,096	82,127
Charge/(reversal) for the year	18,107	(5,766)
Written off	(4,615)	(21,265)
Balance at the end of the year	<u>68,588</u>	<u>55,096</u>

### 23 REINSURANCE DEBTORS

	2015	2014
Reinsurance debtors	23,388,324	11,829,418
Less: impairment provision	(96,117)	(95,824)
Carrying amount	<u>23,292,207</u>	<u>11,733,594</u>

#### (a) Ageing analysis

	2015	2014
Within 3 months (inclusive)	22,761,894	11,357,027
3 months to 1 year (inclusive)	443,569	237,851
1 to 2 years (inclusive)	68,188	39,552
Over 2 years	114,673	194,988
Sub-total	23,388,324	11,829,418
Less: impairment provision	(96,117)	(95,824)
Total	<u>23,292,207</u>	<u>11,733,594</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 REINSURANCE DEBTORS (continued)

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

	2015	2014
Balance at the beginning of the year	95,824	86,041
(Reversal)/charge for the year	(3,558)	9,513
Exchange difference	3,851	270
Balance at the end of the year	96,117	95,824

### 24 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2015	2014
Reinsurers' share of unearned premium reserves	856,577	633,949
Reinsurers' share of claim reserves	4,590,731	2,709,009
Reinsurers' share of life and health insurance contract reserves	3,251,961	1,715,469
Total	8,699,269	5,058,427

### 25 TIME DEPOSITS

	2015	2014
Within 3 months (inclusive)	793,592	75,263
3 months to 1 year (inclusive)	14,076,413	1,863,326
1 to 2 years (inclusive)	11,520,000	13,703,000
2 to 3 years (inclusive)	1,500,000	13,820,000
3 to 4 years (inclusive)	–	1,500,000
4 to 5 years (inclusive)	–	1,000,000
Total	27,890,005	31,961,589

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
<b>Listed</b>		
<b>Available-for-sale debt securities</b>		
Corporate bonds	7,373,572	7,306,821
Financial bonds	500,000	–
<b>Available-for-sale equity investments</b>		
Investment funds	3,182,981	6,197,268
Equity shares	10,084,820	8,813,224
Sub-total	<u>21,141,373</u>	<u>22,317,313</u>
<b>Unlisted</b>		
<b>Available-for-sale debt securities</b>		
Government bonds	41,274	40,305
Financial bonds	5,567,433	5,069,298
Corporate bonds	14,512,743	10,626,301
Subordinated bonds	1,071,716	2,273,277
Wealth management products	39,000	126,089
Asset management products	31,050	–
<b>Available-for-sale equity investments</b>		
Investment funds	6,302,684	5,181,040
Equity shares	1,478,902	300,000
Sub-total	<u>29,044,802</u>	<u>23,616,310</u>
<b>Total</b>	<u>50,186,175</u>	<u>45,933,623</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 HELD-TO-MATURITY INVESTMENTS

	2015	2014
<b>Listed</b>		
Government bonds	13,376	13,317
Corporate bonds	4,726,550	4,116,267
Sub-total	4,739,926	4,129,584
<b>Unlisted</b>		
Government bonds	109,162	108,684
Financial bonds	837,867	1,261,744
Corporate bonds	6,009,372	5,184,343
Subordinated bonds	7,370,938	7,470,768
Debt investment schemes	10,665	31,333
Sub-total	14,338,004	14,056,872
Total	19,077,930	18,186,456

### 28 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	2015	2014
Debt investment schemes	10,060,000	9,210,000
Trust schemes	2,400,000	2,585,000
Subordinated debts	1,200,000	1,000,000
Government bonds	150,000	150,000
Total	13,810,000	12,945,000

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 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.

### 30 INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's primary subsidiaries as at 31 December 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")	Beijing	RMB10,032,250,000	100	–	Property and casualty reinsurance, China
China Life Reinsurance Company Limited ("China Re Life")	Beijing	RMB6,720,000,000	100	–	Life and health reinsurance, China
China Continent Property and Casualty Insurance Company Limited ("China Continent Insurance")	Shanghai	RMB7,302,077,123	93.18	–	Primary property and casualty insurance, China
China Re Asset Management Company Limited	Beijing	RMB500,000,000	70	29.318	Management of insurance investments, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency")	Beijing	RMB50,000,000	52.50	–	Insurance brokerage, risk evaluation and management, China
China Re UK Limited ("China Re UK")	London	GBP300,000	100	–	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	GBP18,000,000	100	–	Underwriting agency, UK

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES

	2015	2014
Share of net assets		
– Listed shares	8,677,589	7,605,127
– Unlisted shares	139,640	103,519
Total	8,817,229	7,708,646

(a) Particulars of the Group's material associate are as follows:

Name of associate	Place of incorporation and business	Registered capital (RMB million)	Principle activities
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 2015	4.29%	1.80%	2.49%
31 December 2014	4.28%	2.05%	2.23%

The Group has significant influence over CEB through a group representative being a director of CEB. As such, the interest in this associate is accounted for using the equity method.

As at 31 December 2015, the market value of the Group's investment in CEB was RMB 7,177 million (31 December 2014: RMB 8,126 million).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES (continued)

(a) Particulars of the Group's material associate are as follows: (continued)

The following table sets out the key financial statements 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)	
	2015	2014
<b>Gross amounts of the associate</b>		
Operating income	93,364	78,771
Profit before tax	39,358	38,554
Net profit (i)	29,528	28,883
Other comprehensive income (i)	3,707	4,052
Total comprehensive income (i)	33,235	32,935
Total assets	3,167,710	2,737,010
Total liabilities	2,943,663	2,557,527
Net assets (ii)	202,247	177,694
Non-controlling interests	554	508
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate (ii)	202,247	177,694
Group's effective interest	4.29%	4.28%
Group's share of net assets of the associate	8,678	7,605
Carrying amount in the financial statements	8,678	7,605
Dividends received from the associate for the year	372	343

(i) Amount attributable to shareholders of the associate.

(ii) Amount attributable to preferred shareholders of the associate and goodwill are not included.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES (continued)

(b) Particulars of immaterial associates accounted for using the equity method are summarised as follows:

	2015	2014
Aggregate carrying amount of investments	<u>139,640</u>	<u>103,519</u>
Aggregate amount of share of:		
– Net profit/(loss)	7,811	(2,276)
– Other comprehensive income	(224)	(16)
– Change in capital reserve	<u>419</u>	<u>1,673</u>
Total	<u>8,006</u>	<u>(619)</u>

### 32 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, details of the Group's statutory deposits are as follows:

	2015	2014
The Company	8,903,000	7,403,000
China Re P&C	2,090,000	1,940,000
China Re Life	1,750,000	1,550,000
China Continent Insurance	1,840,415	1,285,997
Huatai Insurance Agency	<u>1,000</u>	<u>1,354</u>
Total	<u>14,584,415</u>	<u>12,180,351</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 INVESTMENT PROPERTY

	2015	2014
<b>Cost</b>		
Beginning of the year	647,310	647,310
Additions during the year	2,785,387	–
End of the year	3,432,697	647,310
<b>Accumulated depreciation</b>		
Beginning of the year	(214,216)	(187,502)
Charge for the year	(26,714)	(26,714)
End of the year	(240,930)	(214,216)
<b>Carrying amount</b>		
Beginning of the year	433,094	459,808
End of the year	3,191,767	433,094

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 2015 was RMB 4,183 million (31 December 2014: RMB 822 million).

As at 31 December 2015, the Group was in the process of completing the ownership documentation of certain investment properties with a net carrying value of RMB 2,785 million (31 December 2014: nil). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned investment properties.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction in progress	Leasehold improvement	Total
<b>Cost</b>							
Balance at 1 January 2014	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 year	67,946	5,997	42,998	97,518	58,581	55,547	328,587
Disposals/transfers during the year	(54,965)	(3,335)	(65,240)	(23,040)	(73,404)	–	(219,984)
Balance at 31 December 2015	2,478,261	70,871	343,179	619,473	136,279	180,102	3,828,165
<b>Less: Accumulated depreciation</b>							
Balance at 1 January 2014	(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 year	(81,940)	(7,066)	(24,630)	(67,267)	–	(29,583)	(210,486)
Written back on disposals	12,675	2,985	60,421	20,404	–	–	96,485
Balance at 31 December 2015	(489,418)	(50,753)	(219,810)	(408,487)	–	(100,491)	(1,268,959)
<b>Carrying amount</b>							
Balance at 31 December 2014	2,045,127	21,537	109,820	183,371	151,102	53,647	2,564,604
Balance at 31 December 2015	1,988,843	20,118	123,369	210,986	136,279	79,611	2,559,206

As at 31 December 2015, the Group was in the process of completing the ownership documentation of certain properties and buildings with a net carrying value of RMB 410 million (31 December 2014: RMB 344 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned properties and buildings.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 INTANGIBLE ASSETS

	VOBA	Software	Total
<b>Cost</b>			
Balance at 1 January 2014	420,059	289,054	709,113
Additions during the year	–	54,493	54,493
Disposals during the year	–	(865)	(865)
	<u>420,059</u>	<u>342,682</u>	<u>762,741</u>
Balance at 31 December 2014	420,059	342,682	762,741
Additions during the year	–	80,029	80,029
Disposals during the year	–	(4,677)	(4,677)
	<u>420,059</u>	<u>418,034</u>	<u>838,093</u>
<b>Balance at 31 December 2015</b>	<b>420,059</b>	<b>418,034</b>	<b>838,093</b>
<b>Less: Accumulated amortisation</b>			
Balance at 1 January 2014	(286,446)	(108,388)	(394,834)
Charge for the year	(20,350)	(34,019)	(54,369)
Written back on disposals	–	330	330
	<u>(306,796)</u>	<u>(142,077)</u>	<u>(448,873)</u>
Balance at 31 December 2014	(306,796)	(142,077)	(448,873)
Charge for the year	(16,941)	(37,043)	(53,984)
Written back on disposals	–	936	936
	<u>(323,737)</u>	<u>(178,184)</u>	<u>(501,921)</u>
<b>Balance at 31 December 2015</b>	<b>(323,737)</b>	<b>(178,184)</b>	<b>(501,921)</b>
<b>Carrying amount</b>			
Balance at 31 December 2014	113,263	200,605	313,868
	<u>113,263</u>	<u>200,605</u>	<u>313,868</u>
Balance at 31 December 2015	96,322	239,850	336,172
	<u>96,322</u>	<u>239,850</u>	<u>336,172</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 GOODWILL

	2015	2014
Cost		
– China Re P&C	650,529	650,529
– China Re Life	463,630	463,630
– China Continent Insurance	74,379	74,379
Total	1,188,538	1,188,538
Less: impairment provision	–	–
Carrying amount	1,188,538	1,188,538

### 37 DEFERRED TAX ASSETS AND LIABILITIES

#### (a) Deferred tax assets and liabilities

	2015	2014
Deferred tax assets	352,818	441,955
Deferred tax liabilities	(1,509,188)	(1,403,586)
	(1,156,370)	(961,631)

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 DEFERRED TAX ASSETS AND LIABILITIES (continued)

#### (b) Movements of deferred tax assets and deferred tax liabilities

	2015			Balance at 31 December 2015
	Balance at 1 January 2015	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	
Available-for-sale financial assets	(830,871)	–	100,502	(730,369)
Financial assets at fair value through profit or loss	33	7,666	–	7,699
Impairment provisions	61,912	54,374	–	116,286
Tax deductible losses	42	(42)	–	–
Premiums and reserves	281,371	(88,419)	–	192,952
Investment in associates	(548,311)	(172,415)	(34,875)	(755,601)
Others	74,193	(61,530)	–	12,663
<b>Total</b>	<b>(961,631)</b>	<b>(260,366)</b>	<b>65,627</b>	<b>(1,156,370)</b>
	2014			Balance at 31 December 2014
	Balance at 1 January 2014	(Charged)/ credited to profit or loss	Charged to reserves	
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
Investment in associates	–	(512,396)	(35,915)	(548,311)
Others	32,651	48,639	(7,097)	74,193
<b>Total</b>	<b>179,162</b>	<b>90,999</b>	<b>(1,231,792)</b>	<b>(961,631)</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 OTHER ASSETS

	2015	2014
Interest receivables	2,704,588	2,471,128
Deposits retained by cedants	7,557,524	6,102,758
Prepayment for investment property	–	2,233,359
Claims prepaid	928,857	287,462
Deferred expenses	213,837	167,607
Receivable from securities clearance	625,651	227,948
Taxes prepaid	301,164	282,928
Others	613,137	256,960
Total	<u>12,944,758</u>	<u>12,030,150</u>
Less: impairment provision	<u>(191,742)</u>	<u>(19,248)</u>
Net carrying amount	<u>12,753,016</u>	<u>12,010,902</u>

### 39 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	2015	2014
Securities sold under agreements to repurchase		
– Stock exchange	5,146,250	1,600,900
– Inter-bank market	1,324,400	707,900
Total	<u>6,470,650</u>	<u>2,308,800</u>

As at 31 December 2015, debt securities with a carrying amount of RMB 12,967 million were pledged by the Group as assets sold under agreements to repurchase (31 December 2014: RMB 12,146 million). Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.

### 40 INVESTMENT CONTRACT LIABILITIES

	2015	2014
Beginning of the year	21,192,010	5,017,345
Additions	190,408,744	37,029,450
Payments/surrenders	(93,112,975)	(21,194,169)
Fees deducted	179,705	89,512
Interest credited	325,494	249,872
End of the year	<u>118,992,978</u>	<u>21,192,010</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 INSURANCE CONTRACT LIABILITIES

	2015		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	54,110,061	(3,251,961)	50,858,100
Short-term life and health reinsurance contracts (b)			
– Claim reserves	3,261,587	(1,512,760)	1,748,827
– Unearned premium reserves	1,256,776	(390,840)	865,936
Property and casualty reinsurance contracts (c)			
– Claim reserves	23,943,406	(568,292)	23,375,114
– Unearned premium reserves	9,492,388	(185,133)	9,307,255
Primary property and casualty insurance contracts (d)			
– Claim reserves	9,806,683	(2,509,679)	7,297,004
– Unearned premium reserves	10,819,477	(280,604)	10,538,873
<b>Total insurance contract liabilities</b>	<b>112,690,378</b>	<b>(8,699,269)</b>	<b>103,991,109</b>
	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
<b>Total insurance contract liabilities</b>	<b>97,245,538</b>	<b>(5,058,427)</b>	<b>92,187,111</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 INSURANCE CONTRACT LIABILITIES (continued)

#### (a) Long-term life and health reinsurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	15,805,832	(2,376,890)	13,428,942
Payments	(5,696,242)	622,113	(5,074,129)
Surrenders	(2,512,508)	433,129	(2,079,379)
Others	1,937,360	(214,844)	1,722,516
At 31 December 2015	54,110,061	(3,251,961)	50,858,100

#### (b) Short-term life and health reinsurance contracts

##### (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	4,141,923	(1,170,275)	2,971,648
Claims paid	(3,616,759)	502,733	(3,114,026)
At 31 December 2015	3,261,587	(1,512,760)	1,748,827

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 INSURANCE CONTRACT LIABILITIES (continued)

#### (b) Short-term life and health reinsurance contracts (continued)

##### (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	6,075,974	(1,702,417)	4,373,557
Premiums earned	(5,680,892)	1,494,423	(4,186,469)
At 31 December 2015	1,256,776	(390,840)	865,936

#### (c) Property and casualty reinsurance contracts

##### (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	18,589,369	(447,401)	18,141,968
Claims paid	(17,029,643)	293,519	(16,736,124)
At 31 December 2015	23,943,406	(568,292)	23,375,114

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 41 INSURANCE CONTRACT LIABILITIES (continued)

## (c) Property and casualty reinsurance contracts (continued)

## (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	25,349,416	4,935,804	30,285,220
Premiums earned	(25,632,430)	(4,978,198)	(30,610,628)
At 31 December 2015	9,492,388	(185,133)	9,307,255

## (d) Primary property and casualty insurance contracts

## (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	16,028,784	(1,899,871)	14,128,913
Claims paid	(13,920,009)	839,573	(13,080,436)
At 31 December 2015	9,806,683	(2,509,679)	7,297,004

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 INSURANCE CONTRACT LIABILITIES (continued)

#### (d) Primary property and casualty insurance contracts (continued)

##### (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	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	26,586,824	(966,822)	25,620,002
Premiums earned	(24,982,159)	994,582	(23,987,577)
At 31 December 2015	10,819,477	(280,604)	10,538,873

### 42 OTHER LIABILITIES

	2015	2014
Claims payable	115,656	326,992
Premiums received in advance	1,398,266	886,652
Salaries and welfare payable	1,255,923	977,259
Defined benefit retirement plan obligation (a)	129,055	–
Suspense account	645,454	349,275
Insurance protection fund payable	76,929	59,788
Regulatory fees payable	113,087	66,694
Payables for property and equipment	81,816	87,445
Deposits from cedants	280,776	308,118
Securities clearance payable	1,731,041	2,496,200
Handling charges and commissions payable	362,206	247,291
Taxes payable	297,213	198,663
Dividends payable	3,455,718	–
Others	1,095,037	577,523
Total	11,038,177	6,581,900

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 OTHER LIABILITIES (continued)

#### (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, information about these plans is aggregated and disclosed below.

#### 1) The amount of the defined benefit retirement plan obligation and its changes recognised in the financial statements are as follows:

	2015
Opening balance	–
Cost of defined benefit retirement plans included in current profit or loss	
– Service cost in respect of prior years	120,850
– Interest cost	3,547
Remeasurement effects recognized in other comprehensive income	7,447
Benefits paid by the plans	(2,789)
Closing balance	129,055

#### 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):

	2015
Discount rate	3.25%
Mortality rate	note
Expected average life	84
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-CL3/CL4 (2000-2003) issued by the CIRC in 2005.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 OTHER LIABILITIES (continued)

#### (a) Post-employment benefits-defined benefit retirement plan obligation (continued)

##### 2) Actuarial assumption and sensitivity analysis (continued)

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:

	2015
Discount rate increases by 0.25%	(4,362)
Discount rate decreases by 0.25%	4,604
Annual growth rate of pension benefits increases by 1%	17,445
Annual growth rate of pension benefits decreases by 1%	(14,357)

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.

### 43 SHARE CAPITAL

	2015	2014
Issued and fully paid ordinary shares of RMB 1 each		
Domestic shares	35,800,391	36,407,611
H shares	6,679,417	–
Total	42,479,808	36,407,611

The Company completed its initial public offering of overseas-listed foreign shares and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015. In this offering, the Company totally offered 6,072,197,000 H shares (including over-allotment of 302,307,000 H shares) with a nominal value of RMB 1.00 per share each and an issuance price of HKD 2.70 per share. This public offering had raised a total amount of RMB 13,443 million. As at 31 December 2015, the consideration received net of issue expenses was RMB 13,074 million, of which RMB 6,072 million was recorded in share capital and RMB 7,002 million was recorded in share premiums.

Pursuant to the relevant PRC regulations regarding transfers of state-owned shares and the related regulatory approvals, 607,219,700 domestic shares held by the state-owned shareholders were converted into H shares during the initial public offering of the Company.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity.

(a) **Capital reserve**

Pursuant to the approval from the Ministry of Finance, the Company recognised assets appraisal surplus from restructuring as capital reserve.

(b) **Surplus reserve**

Pursuant to the 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 2015, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB 1,602 million to surplus reserve made by subsidiaries (31 December 2014: RMB 994 million).

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 RESERVES AND RETAINED PROFITS (continued)

(f) The movements in equity of the Company are set out below:

	Share capital	Capital reserve	Surplus reserve	General risk reserve	Defined benefit liability remeasurement reserve	Fair value reserve	Retained profits	Total
Balance at 1 January 2014	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 1.2 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 2015								
Total comprehensive income for the year	-	-	-	-	(7,447)	(222,944)	3,514,950	3,284,559
Issue of H-shares	6,072,197	7,001,722	-	-	-	-	-	13,073,919
Dividends approved in respect of the previous year (RMB 2.0 cents per share)	-	-	-	-	-	-	(728,152)	(728,152)
Special pre-IPO dividends approved (RMB 9.4 cents per share)	-	-	-	-	-	-	(3,421,873)	(3,421,873)
Appropriation for surplus reserve	-	-	351,495	-	-	-	(351,495)	-
Appropriation for general risk reserve	-	-	-	351,495	-	-	(351,495)	-
Others	-	(25)	-	-	-	-	-	(25)
Balance at 31 December 2015	42,479,808	7,105,182	1,075,655	1,075,655	(7,447)	296,939	1,955,452	53,981,244

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 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, the carrying value of interest held by the Group in some structured entities sponsored by third-party institutions through investments of the Group is listed below:

	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	–	8,880,318	–	9,017,748
Wealth management products	–	39,000	–	–
Debt investment schemes	10,665	–	4,450,000	–
Trust schemes	–	–	2,400,000	–
<b>Total</b>	<b>10,665</b>	<b>8,919,318</b>	<b>6,850,000</b>	<b>9,017,748</b>
	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	–
<b>Total</b>	<b>31,333</b>	<b>11,267,219</b>	<b>6,155,000</b>	<b>1,325,170</b>

The maximum loss exposures of the interest held in structured entities sponsored by third-party institutions are their carrying amounts at the end of the reporting period.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 45 INTEREST HELD IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

#### (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 2015, the balances of the project asset-backed schemes sponsored by the Group but unconsolidated in the financial statements amounted to RMB 11.27 billion (31 December 2014: RMB 8.25 billion), among which RMB 6.25 billion was held by the Group (31 December 2014: RMB 5.88 billion).

##### **Third-party entrusted asset management business products**

As at 31 December 2015, the balances of the third-party entrusted asset management business products sponsored by the Group but unconsolidated in the financial statements amounted to RMB 39.83 billion (31 December 2014: RMB 58.28 billion).

#### (c) There are no unconsolidated structured entities sponsored by the Group but in which the Group has no interest as at 31 December 2015 (31 December 2014: nil).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 NOTE TO CONSOLIDATED CASH FLOW STATEMENTS

#### (a) Reconciliation of profit before tax to cash generated from operations:

	2015	2014
Profit before tax	9,888,876	7,006,768
Adjustments for:		
Investment income	(11,696,420)	(7,633,167)
Exchange (gains)/losses, net	(152,446)	93,391
Finance costs	141,434	130,311
Share of profits of associates	(1,256,091)	(893,860)
Impairment provisions charges/(reversals)	189,159	(11,378)
Depreciation of property and equipment	210,486	185,002
Depreciation of investment property	26,714	26,714
Amortisation of intangible assets	37,043	34,019
Losses/(gains) on disposal of property and equipment and intangible assets, net	693	(5,966)
Increase in insurance contract liabilities	14,865,673	10,231,976
Increase in investment contract liabilities and policyholders' deposits	97,777,555	16,159,881
Increase in reinsurer's share of insurance contract liabilities	(3,413,169)	(1,024,946)
Increase in premiums receivable	(284,432)	(91,419)
(Increase)/decrease in reinsurance debtors	(11,558,906)	3,159,456
Increase in investment contracts receivable	(94,750,774)	(14,511,782)
Increase/(decrease) in reinsurance payables	1,322,103	(4,094,347)
Increase in other assets	(754,293)	(120,301)
(Decrease)/increase in other liabilities	(365,480)	1,351,008
Cash generated from operations	<u>227,725</u>	<u>9,991,360</u>

#### (b) Analysis of balances of cash and cash equivalents:

	2015	2014
Cash and short-term time deposits	20,448,273	7,904,122
Add: Securities purchased under resale agreements with original maturity of no more than three months	1,288,501	1,155,100
Less: Restricted cash at banks	(1,863,876)	(2,688,504)
Cash and cash equivalents at end of the year	<u>19,872,898</u>	<u>6,370,718</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

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 564 million for the years ended 31 December 2015 (31 December 2014: RMB 546 million).

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.



## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 47 RISK MANAGEMENT (continued)

## (1) Insurance risk (continued)

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

## (i) Primary insurance contracts (\*) (continued)

Net	2010 and earlier	2011	2012	2013	2014	2015	Total
Cumulated loss estimate							
Year ending	20,925,265	7,365,381	8,712,541	10,248,170	11,010,672	12,712,994	
1 year later	20,895,105	7,318,713	8,872,824	10,203,235	10,680,709		
2 years later	20,866,851	7,241,686	8,794,129	10,014,769			
3 years later	20,817,219	7,200,197	8,780,927				
4 years later	20,799,389	7,186,668					
5 years later	20,784,396						
Cumulated loss estimate	20,784,396	7,186,668	8,780,927	10,014,769	10,680,709	12,712,994	70,160,463
Less: Cumulated paid loss	20,732,835	7,135,639	8,683,841	9,741,566	9,871,445	8,223,717	64,389,043
Add: Adjustments in prior periods and ULAE, discount and risk margin							559,334
Unpaid loss estimate							6,330,754
Less: Unpaid loss estimate ceded to the Company and other fellow subsidiaries							(1,119,013)
Net unpaid loss estimate							7,449,767

(\*) Primary insurance contracts presented include the ceded-in reinsurance business undertaken by China Continent Insurance.





# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (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	
		2015	2014
Mortality/morbidity	+10%	(210,499)	(187,519)
Mortality/morbidity	-10%	215,482	193,033
Lapse rate	+10%	26,469	24,859
Lapse rate	-10%	(26,517)	(24,666)
Discount rate	+50bp	1,071,124	1,109,984
Discount rate	-50bp	(1,170,367)	(1,209,930)

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

#### (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 51, 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 the reporting period is disclosed in Note 51.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (a) Credit risk (continued)

##### (ii) Ageing analysis of financial assets

	2015				Total
	Not due	Financial assets due but not impaired		Financial assets due and impaired	
		within 1 year	after 1 year		
Cash and short-term time deposits	20,448,273	-	-	-	20,448,273
Debt securities investments held-for-trading	451,985	-	-	-	451,985
Financial assets held under resale agreements	1,288,501	-	-	-	1,288,501
Premiums receivable	703,437	156,641	-	68,588	928,666
Reinsurance debtors	22,831,382	247,527	62,979	246,436	23,388,324
Time deposits	27,890,005	-	-	-	27,890,005
Available-for-sale debt securities	29,136,788	-	-	-	29,136,788
Held-to-maturity investments	19,077,930	-	-	-	19,077,930
Investments classified as loans and receivables	13,810,000	-	-	-	13,810,000
Policy loans	302,561	-	-	-	302,561
Investment contracts receivable	109,343,386	-	-	-	109,343,386
Statutory deposits	14,584,415	-	-	-	14,584,415
Other financial assets	12,539,179	-	-	191,742	12,730,921
Sub-total	<u>272,407,842</u>	<u>404,168</u>	<u>62,979</u>	<u>506,766</u>	273,381,755
Less: impairment provisions					<u>(356,447)</u>
Total					<u>273,025,308</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (a) Credit risk (continued)

##### (ii) Ageing analysis of financial assets (continued)

	2014				Total
	Not due	Financial assets due but not impaired		Financial assets due and impaired	
		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
Investment contracts receivable	14,592,612	–	–	–	14,592,612
Statutory deposits	12,180,351	–	–	–	12,180,351
Other financial assets	9,611,425	–	–	17,759	9,629,184
Sub-total	146,782,713	181,671	58,477	354,771	147,377,632
Less: impairment provisions					(170,168)
Total					147,207,464

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (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 mainly 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 net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

	Interest rate change	Impact on equity	
		2015	2014
Financial assets at fair value through profit or loss	+50bp	(4,817)	(10,113)
Available-for-sale financial assets	+50bp	(437,998)	(505,676)
		Impact on net profit	
		2015	2014
Financial assets at fair value through profit or loss	+50bp	(4,817)	(10,113)
Available-for-sale financial assets	+50bp	–	–

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (b) Market risk (continued)

##### (i) Interest rate risk (continued)

##### *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 at the end of the reporting period, the impact on the Group'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.

	Interest rate change	Impact on net profit/equity	
		2015	2014
Floating interest rate debt securities	+50bp	13,367	12,037
Floating interest rate deposits	+50bp	2,000	5,000

##### (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 financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities by major currency at the end of the reporting period, expressed in the RMB equivalent.

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 RISK MANAGEMENT (continued)

## (2) Financial risk (continued)

## (b) Market risk (continued)

## (ii) Currency risk (continued)

	2015					
	RMB	USD	HKD	GBP	Others	Total
Cash and short-term time deposits	3,984,925	1,285,078	14,757,379	133,714	287,177	20,448,273
Financial assets at fair value through profit or loss	9,784,209	-	227,546	-	-	10,011,755
Financial assets held under resale agreements	1,288,501	-	-	-	-	1,288,501
Premiums receivable	763,187	95,002	59	-	1,830	860,078
Reinsurance debtors	21,641,166	994,581	189,052	26,201	441,207	23,292,207
Reinsurers' share of insurance contract liabilities	8,260,662	300,403	206	135,940	2,058	8,699,269
Time deposits	26,730,000	982,337	-	158,939	18,729	27,890,005
Available-for-sale financial assets	45,746,858	668,580	3,770,737	-	-	50,186,175
Held-to-maturity investments	19,077,930	-	-	-	-	19,077,930
Investments classified as loans and receivables	13,810,000	-	-	-	-	13,810,000
Policy loans	302,561	-	-	-	-	302,561
Investment contracts receivable	109,149,570	1,981	191,835	-	-	109,343,386
Statutory deposits	14,584,415	-	-	-	-	14,584,415
Other financial assets	10,712,386	390,326	17,278	1,336,974	82,215	12,539,179
<b>Total</b>	<b>285,836,370</b>	<b>4,718,288</b>	<b>19,154,092</b>	<b>1,791,768</b>	<b>833,216</b>	<b>312,333,734</b>
Securities sold under agreements to repurchase	6,470,650	-	-	-	-	6,470,650
Reinsurance payables	5,097,997	511,333	6,242	322,366	82,106	6,020,044
Policyholders' deposits	396,343	80,141	450,848	-	-	927,332
Investment contract liabilities	118,795,000	5,648	192,163	-	167	118,992,978
Insurance contract liabilities	104,818,215	5,448,172	1,128,513	1,012,654	282,824	112,690,378
Other financial liabilities	9,983,133	251,798	356,245	107,099	42,689	10,740,964
<b>Total</b>	<b>245,561,338</b>	<b>6,297,092</b>	<b>2,134,011</b>	<b>1,442,119</b>	<b>407,786</b>	<b>255,842,346</b>

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 RISK MANAGEMENT (continued)

## (2) Financial risk (continued)

## (b) Market risk (continued)

## (ii) Currency risk (continued)

	2014					Total
	RMB	USD	HKD	GBP	Others	
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
Investment contracts receivable	14,592,348	-	264	-	-	14,592,612
Statutory deposits	12,180,351	-	-	-	-	12,180,351
Other financial assets	7,907,860	312,838	29,733	1,259,661	99,844	9,609,936
<b>Total</b>	<b>164,034,408</b>	<b>4,351,994</b>	<b>3,408,812</b>	<b>1,651,944</b>	<b>1,176,349</b>	<b>174,623,507</b>
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
<b>Total</b>	<b>123,571,432</b>	<b>6,455,665</b>	<b>994,799</b>	<b>1,379,845</b>	<b>376,530</b>	<b>132,778,271</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (b) Market risk (continued)

##### (ii) Currency risk (continued)

##### 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.

Currency	Changes in exchange rate	Impact on equity	
		2015	2014
USD	+5%	(59,205)	(78,888)
USD	-5%	59,205	78,888
HKD	+5%	638,253	90,525
HKD	-5%	(638,253)	(90,525)
GBP	+5%	13,112	10,204
GBP	-5%	(13,112)	(10,204)

##### (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%.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 RISK MANAGEMENT (continued)

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

##### (b) Market risk (continued)

##### (iii) Price risk (continued)

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):

	2015	2014
Financial assets at fair value through profit or loss		
Equity shares	(25,280)	(10,221)
Investment funds	(1,045)	(234)
Sub-total	(26,325)	(10,455)
Available-for-sale financial assets		
Equity shares	(330,029)	(142,635)
Investment funds	(169,186)	(67,744)
Sub-total	(499,215)	(210,379)
Total	(525,540)	(220,834)

##### (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 based on undiscounted cash flows.

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 RISK MANAGEMENT (continued)

## (2) Financial risk (continued)

## (c) Liquidity risk (continued)

	2015					Carrying amount
	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	
<b>Assets:</b>						
Cash and short-term time deposits	20,448,914	-	-	-	20,448,914	20,448,273
Debt securities held for trading	39,001	42,969	403,465	340	485,775	451,985
Equity securities held for trading	9,559,770	-	-	-	9,559,770	9,559,770
Financial assets held under resale agreements	1,289,054	-	-	-	1,289,054	1,288,501
Premiums receivable	860,078	-	-	-	860,078	860,078
Reinsurance debtors	23,273,521	18,293	393	-	23,292,207	23,292,207
Reinsurer's share of insurance contract liabilities	5,772,346	1,496,943	893,558	19,292	8,182,139	8,699,269
Time deposits	15,855,772	11,751,030	2,137,742	-	29,744,544	27,890,005
Available-for-sale debt securities	3,654,579	5,876,228	12,495,135	11,877,310	33,903,252	29,136,788
Available-for-sale equity securities	21,049,387	-	-	-	21,049,387	21,049,387
Held-to-maturity investments	1,116,332	1,258,989	4,690,394	23,425,260	30,490,975	19,077,930
Investments classified as loans and receivables	1,497,897	1,696,201	6,870,358	10,960,973	21,025,429	13,810,000
Policy loans	302,561	-	-	-	302,561	302,561
Investment contracts receivable	109,343,386	-	-	-	109,343,386	109,343,386
Statutory deposits	6,798,543	5,402,642	3,687,329	-	15,888,514	14,584,415
Other assets	10,938,685	160,178	1,440,316	-	12,539,179	12,539,179
<b>Total</b>	<b>231,799,826</b>	<b>27,703,473</b>	<b>32,618,690</b>	<b>46,283,175</b>	<b>338,405,164</b>	<b>312,333,734</b>
<b>Liabilities:</b>						
Securities sold under agreements to repurchase	6,473,572	-	-	-	6,473,572	6,470,650
Reinsurance payables	5,588,231	7,104	424,709	-	6,020,044	6,020,044
Policyholders' deposits	921,957	2,442	2,412	521	927,332	927,332
Investment contract liabilities	109,042,291	-	415,794	9,534,893	118,992,978	118,992,978
Insurance contract liabilities	50,070,375	16,379,349	13,663,694	28,276,691	108,390,109	112,690,378
Other liabilities	10,475,788	6,014	158,105	187,447	10,827,354	10,740,964
<b>Total</b>	<b>182,572,214</b>	<b>16,394,909</b>	<b>14,664,714</b>	<b>37,999,552</b>	<b>251,631,389</b>	<b>255,842,346</b>

## FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 RISK MANAGEMENT (continued)

## (2) Financial risk (continued)

## (c) Liquidity risk (continued)

	2014				Total	Carrying amount
	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		
<b>Assets:</b>						
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
Investment contracts receivable	14,592,612	–	–	–	14,592,612	14,592,612
Statutory deposits	4,777,498	6,630,204	1,740,181	–	13,147,883	12,180,351
Other assets	8,004,537	284,209	1,321,190	–	9,609,936	9,609,936
<b>Total</b>	<b>87,716,469</b>	<b>28,675,006</b>	<b>42,442,883</b>	<b>46,439,240</b>	<b>205,273,598</b>	<b>174,623,507</b>
<b>Liabilities:</b>						
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
<b>Total</b>	<b>68,212,444</b>	<b>20,124,787</b>	<b>16,793,760</b>	<b>35,545,207</b>	<b>140,676,198</b>	<b>132,778,271</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE MEASUREMENT

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

##### Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period 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.

	Fair value At 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Debt securities	451,985	6,365	445,620	–
– Equity securities	9,559,770	9,549,549	10,221	–
Available-for-sale financial assets				
– Debt securities	29,136,788	834,708	28,302,080	–
– Equity securities	18,588,596	18,469,939	118,657	–
<b>Total</b>	<b>57,737,139</b>	<b>28,860,561</b>	<b>28,876,578</b>	<b>–</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE MEASUREMENT (continued)

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

Fair value hierarchy (continued)

	Fair value At 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
<b>Assets</b>				
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	–	–
<b>Total</b>	<b>47,742,309</b>	<b>21,792,406</b>	<b>25,949,903</b>	<b>–</b>

Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December, 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 2015, the Group transferred the debt securities with a carrying amount of RMB 61 million (31 December 2014: RMB 1,180 million) from Level 1 to Level 2 and RMB 260 million (31 December 2014: RMB 135 million) from Level 2 to Level 1.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE MEASUREMENT (continued)

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 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:

	31 December 2015		31 December 2015		
	carrying amount	fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
Held-to-maturity financial assets	19,077,930	20,682,822	3,551,088	17,131,734	–

	31 December 2014		31 December 2014		
	carrying amount	fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
Held-to-maturity financial assets	18,186,456	18,362,532	2,118,010	16,244,522	–

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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 CAPITAL MANAGEMENT

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

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

As at 31 December 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:

	2015		
	Actual capital	Minimum regulatory capital	Solvency margin ratio
The Group	59,178,489	25,188,644	235%
The Company	56,722,105	1,208,143	4,695%
China Re P&C	12,459,923	4,075,557	306%
China Re Life	18,869,568	8,882,422	212%
China Continent Insurance	7,583,975	3,686,004	206%
	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%

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Key management personnel remuneration

	2015	2014
Salaries, allowances and benefits in kind	4,218	3,365
Discretionary bonus	4,624	6,664
Contribution to defined contribution plan	1,848	1,793
Total	<u>10,690</u>	<u>11,822</u>

#### (2) Transactions with related parties except for key management personnel

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

	2015	2014
Interest income	335,251	343,643
Dividend received	371,550	343,269
Premium income	3,200	3,414
Claims payments	(1,289)	(4,486)
Fees and commissions	(404)	(1,163)

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

	2015	2014
Cash and short-term time deposits	133,308	186,398
Time deposits	1,245,865	1,107,906
Statutory deposits	3,865,419	4,140,000
Interest receivables	181,237	203,463
Debt investments	998,842	998,791

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (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 reporting period, 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 and during the reporting period, 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 reporting period, a large portion of its reinsurance business of the Group was with state-owned insurance companies.

### 51 CONTINGENCIES

As at the end of the reporting period, the Group has issued the following guarantees:

- (1) As at 31 December 2015, the Group provided maritime guarantee of RMB 1,894 million (31 December 2014: RMB 2,006 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 2015, the Company provided letter of credit to Lloyd’s to support China Re Syndicate 2088’s underwriting business of GBP 80 million (31 December 2014: GBP 80 million).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 COMMITMENTS

#### (1) Capital commitments

	2015	2014
Contracted for		
– Intangible assets commitments	14,848	12,600
– Investment property commitments	–	558,340
– Property and equipment commitments	1,164	–
– Investment commitments	634,880	928,400
Authorised but not contracted for		
– Investment commitments	200,922	300,922
Total	<u>851,814</u>	<u>1,800,262</u>

#### (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 the reporting period are summarised as follows:

	2015	2014
Within 1 year	192,170	167,031
Over 1 year but within 2 years	154,113	132,033
Over 2 years but within 3 years	91,190	82,057
Over 3 years but within 5 years	85,142	63,338
Over 5 years	74,958	47,335
Total	<u>597,573</u>	<u>491,794</u>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of the financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the accounting year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
<i>Annual improvements to IFRSs 2012-2014 Cycle</i>	1 January 2016
IFRS 14, <i>Regulatory deferral accounts</i>	1 January 2016
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
Amendments to IAS 1, <i>Disclosure initiative</i>	1 January 2016
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
IFRS 9, <i>Financial instruments</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019

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, IFRS 15 and IFRS 16 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").

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

#### Impairment

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

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.

#### IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a ‘right of use’ asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2015	2014
<b>Assets</b>		
Cash and short-term time deposits	15,359,050	2,065,448
Financial assets at fair value through profit or loss	527,056	605,745
Financial assets held under resale agreements	–	16,000
Reinsurance debtors	2,099,886	1,196,056
Reinsurers' share of insurance contract liabilities	48,189	45,489
Time deposits	56,921	462,826
Available-for-sale financial assets	5,993,795	5,502,050
Held-to-maturity investments	1,305,530	1,829,587
Investments classified as loans and receivables	134,000	276,593
Policy loans	21,836	11,718
Investments in subsidiaries	24,557,024	24,610,592
Investments in associates	3,675,761	3,641,446
Statutory deposits	8,903,000	7,403,000
Investment property	1,197,711	433,094
Property and equipment	698,598	739,009
Intangible assets	9,688	9,752
Other assets	4,272,869	1,870,998
<b>Total assets</b>	<b>68,860,914</b>	<b>50,719,403</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	2015	2014
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Securities sold under agreements to repurchase	195,164	939,800
Reinsurance payables	4,701,187	465,499
Income tax payable	257,529	–
Insurance contract liabilities	4,498,470	6,338,889
Deferred tax liabilities	429,261	626,697
Other liabilities	4,798,059	575,702
<b>Total liabilities</b>	<b>14,879,670</b>	<b>8,946,587</b>
<b>Equity</b>		
Share capital	42,479,808	36,407,611
Reserves	9,545,984	2,071,688
Retained profits	1,955,452	3,293,517
<b>Total equity</b>	<b>53,981,244</b>	<b>41,772,816</b>
<b>Total liabilities and equity</b>	<b>68,860,914</b>	<b>50,719,403</b>

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

On 30 March 2016, the Board of Directors of the Company proposed a final dividend of RMB 4.6 cents per ordinary share and is subject to the approval of shareholders of the Company at the 2015 annual general meeting.

### 56 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

## DEFINITIONS

“Articles of Association”	the articles of association of our Company as adopted at our shareholders’ meeting held on 26 June 2015 and approved by the CIRC on 9 July 2015 and 2 March 2016
“Board of Directors” or “Board”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“CARP”	China Agricultural Reinsurance Pool
“Central Huijin”	Central Huijin Investment Ltd.
“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” or “PRC”	the People’s Republic of China and, for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” or the “PRC” do not include Hong Kong, Macau and Taiwan
“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 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

## DEFINITIONS

“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會)
“CNIP”	China Nuclear Insurance Pool
“Corporate Governance Code”	the Code on corporate governance practices set out in Appendix 14 of the Hong Kong Listing Rules
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second-generation insurance solvency regulation system
“Director(s)”	the director(s) of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huatai Insurance Agency”	Huatai Insurance Agency and Consultant Service Limited
“Listing Date”	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Market Share in terms of Premiums Ceded”	the 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
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Hong Kong Listing Rules
“NAO”	the National Audit Office of the PRC
“New Ten Guidelines in the insurance industry”	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
“our Company”, the “Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)

## DEFINITIONS

“our Group”, the “Group”, “China Re Group” or “we”	our 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
“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 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
“Reporting Period”	since 1 January 2015 until 31 December 2015
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAT”	the State Administration of Taxation
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong
“Supervisor(s)”	the supervisor(s) of the Company
“Yuan”	Unless otherwise stated, RMB yuan

# CORPORATE INFORMATION

## REGISTERED NAMES

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

## REGISTERED OFFICE AND HEADQUARTERS

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1805, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong

## PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

## CLASS OF SHARES

H shares

## STOCK NAME

China Re

## STOCK CODE

1508

## H SHARE REGISTRAR

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

## WEBSITE

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

## INVESTOR RELATIONS DEPARTMENT

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

## LEGAL REPRESENTATIVE

Mr. LI Peiyu<sup>1</sup>

## SECRETARY TO THE BOARD

Ms. YU Qing

## AUTHORISED REPRESENTATIVES

Mr. ZHANG Hong<sup>2</sup>  
 Ms. YU Qing

## JOINT COMPANY SECRETARIES

Ms. YU Qing  
 Ms. MOK Mingwai<sup>3</sup>

## AUDITORS

*Domestic auditors:*  
 KPMG Huazhen LLP

*Overseas auditors:*  
 KPMG

## ACTUARIAL CONSULTANTS

Ernst & Young (China) Advisory Limited

## HONG KONG LEGAL ADVISERS

Clifford Chance

## COMPLIANCE ADVISER

China International Capital Corporation  
 Hong Kong Securities Limited

## NUMBER OF ENTERPRISE LEGAL PERSON BUSINESS LICENSE

10000000023714

## NUMBER OF TAX REGISTRATION CERTIFICATE

11010810002371X

## CODE OF ORGANISATIONAL INSTITUTION

10002371-X

- Notes: 1. Mr. LI Peiyu resigned as an executive Director, the Chairman and from other positions in the Company due to work commitment on 10 March 2016, Mr. WANG Pingsheng temporarily acted as the legal representative.
2. The original Authorised Representative Mr. LI Peiyu resigned on 10 March 2016 due to work commitment.
3. The original joint company secretary Ms. YUNG Mei Yee resigned on 30 March 2016 due to personal reasons.



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