



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

2017 Interim Report



專業 讓保險更保險

EMPOWER YOUR INSURANCE **BY EXPERTISE**

TABLE OF CONTENTS

Financial Highlights	2
Management Discussion and Analysis	3
Other Information	39
Embedded Value	44
Report on Review of Interim Financial Information	49
Financial Statements and Notes	50
Definitions	94
Corporate Information	96

FINANCIAL HIGHLIGHTS

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

	As at 30 June 2017	As at 31 December 2016	Change (%)
Total assets ¹	309,620	211,207	46.6
Total liabilities ¹	236,189	139,067	69.8
Total equity	73,431	72,140	1.8
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.70	1.68	1.7

	For the six months ended 30 June		
	2017	2016	Change (%)
Gross written premiums	67,829	50,340	34.7
Net profit	3,004	2,754	9.1
Net profit attributable to equity shareholders of the parent company	2,954	2,699	9.4
Earnings per share (RMB)	0.07	0.06	9.5
			Increase of 0.49 percentage point
Annualized weighted average return on equity (%) ²	8.23	7.74	

Notes: 1. The Group's total assets and total liabilities increased as compared with those as at the end of 2016, mainly due to the financial reinsurance business and issuance of US Dollars-denominated Notes in the first half of 2017.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and other business. We operate our domestic P&C reinsurance business primarily through our wholly-owned subsidiary China Re P&C, overseas P&C reinsurance business primarily through China Re P&C, Singapore Branch of the Group Company and China Re Syndicate 2088, domestic and overseas life and health reinsurance business primarily through our wholly-owned subsidiary China Re Life, and primary P&C insurance business primarily through China Continent Insurance, in which the Group Company holds approximately 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 for 100% equity interest. In addition, the Group Company operates domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C and operates the domestic legacy life and health reinsurance business through China Re Life.

Key Operating Data

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

	<i>Unit: in RMB millions, except for percentages</i>	
	For the six months ended 30 June	
	2017	2016
Gross written premiums	67,829	50,340
Gross written premiums by business segment:		
P&C reinsurance ¹	13,321	12,903
Life and health reinsurance ¹	36,612	22,302
Primary P&C insurance ¹	18,701	15,780
Total investment income ²	5,008	3,875
Annualized total investment yield (%) ³	5.70	4.75

Notes: 1. Gross written premiums of each business segment do not consider inter-segment eliminations.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2017		As at 31 December 2016	
	Core solvency adequacy ratio	Aggregated solvency adequacy ratio	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
China Re Group (%)	199	199	258	258
Group Company (%)	563	563	804	804
China Re P&C (%)	207	207	209	209
China Re Life (%)	223	223	258	258
China Continent Insurance (%)	294	294	289	289

Note: The data of solvency as at 30 June 2017 is not audited or reviewed by the auditor of the Company.

Unit: in RMB millions

	As at 30 June 2017	As at 31 December 2016
Embedded value of life and health reinsurance business	20,602	18,200
Value of one year's new business of life and health reinsurance business	1,744	1,220

In the first half of 2017, the Group achieved steady progress in overall operation, stably proceeded with major works, continuously strengthened fundamental management and controlled overall risks. “One-Three-Five” Strategy was fully promoted. As we actively grasped opportunities in the market, our gross written premiums increased by 34.7% from RMB50,340 million in the first half of 2016 to RMB67,829 million in the first half of 2017, of which the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB13,321 million, RMB36,612 million and RMB18,701 million, respectively. Our core reinsurance business maintained its steady market position and we continued to have the leading market share in the PRC P&C reinsurance market and life and health reinsurance market. In terms of primary premium income, we accounted for a market share of 3.53% in primary P&C insurance business, ranking No. 6 of all primary P&C insurance companies in the PRC market. During the Reporting Period, we maintained a rating of “A (Excellent)” by A.M. Best and “A+” by Standard & Poor’s.

In the first half of 2017, our annualized total investment yield on a consolidated basis was 5.70%, representing a year-on-year increase of 0.95 percentage point; our total investment income amounted to RMB5,008 million, representing a year-on-year increase of 29.2%, mainly due to the fact that we adhered to the steady and prudent investment philosophy, proactively seized opportunities in the capital market and strengthened proactive management. Meanwhile, we obtained gain of RMB727 million from disposal of investment properties (Shanghai World Plaza). For details of analysis on changes of total investment income, please refer to relevant contents of asset management business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Indicators

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

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

	For the six months ended 30 June	
	2017	2016
Gross written premiums	67,829	50,340
Profit before tax	3,889	3,452
Net profit	3,004	2,754
Net profit attributable to equity shareholders of the parent company	2,954	2,699
Earnings per share (RMB)	0.07	0.06
Annualized weighted average return on equity (%) ¹	8.23	7.74

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

Unit: in RMB millions, unless otherwise stated

	As at 30 June 2017	As at 31 December 2016
Total assets	309,620	211,207
Total liabilities	236,189	139,067
Total equity	73,431	72,140
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.70	1.68

The Group's total assets and total liabilities increased as compared with those as at the end of 2016, mainly due to the financial reinsurance business and issuance of US Dollars-denominated Notes in the first half of 2017. Impacted by a year-on-year increase in total investment income, net profit of the Group increased by 9.1% from RMB2,754 million in the first half of 2016 to RMB3,004 million in the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

P&C REINSURANCE

P&C reinsurance business segment mainly includes domestic P&C reinsurance business, overseas P&C reinsurance business, CNIP business and legacy P&C reinsurance business. In the first half of 2017, reinsurance premium income from our P&C reinsurance segment amounted to RMB13,321 million, representing a year-on-year increase of 3.2%, accounting for 19.4% of gross written premiums of the Group (before inter-segment eliminations); net profit amounted to RMB830 million, the annualized weighted average return on equity was 8.19%. The combined ratio was 98.7%, of which loss ratio was 56.3% and expense ratio was 42.4%.

Business Analysis

Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In the first half of 2017, we made efforts to strengthen our position as a leading domestic reinsurer. We proactively dealt with significant changes including intensified competition in domestic reinsurance market, reorganization of business structure and decrease of profitability. We integrated technical resources of underwriting business, improved customer service system, strengthened the expansion of facultative reinsurance and innovative business, enhanced our service and support to national strategy “Belt and Road Initiative” and proactively analysed and deployed businesses including catastrophe insurance business. In the first half of 2017, reinsurance premium income from our domestic P&C reinsurance business amounted to RMB11,487 million, representing a year-on-year increase of 1.4%. The combined ratio was 99.6%, of which loss ratio was 54.3% and expense ratio was 45.3%.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance, which is generally in line with the business mix in the domestic P&C reinsurance market. Meanwhile, as a result of our efforts in strengthening facultative reinsurance business, our facultative reinsurance business grew by RMB219 million, representing a year-on-year increase of 98.6%. In terms of business channels, by virtue of our good direct cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis.

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: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	11,046	96.2%	11,106	98.0%
Facultative reinsurance	441	3.8%	222	2.0%
Total	11,487	100.0%	11,328	100.0%

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

Unit: in RMB millions, except for percentages

Form of cession	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	11,292	98.3%	11,131	98.3%
Non-proportional reinsurance	195	1.7%	197	1.7%
Total	11,487	100.0%	11,328	100.0%

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

Unit: in RMB millions, except for percentages

Business channel	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Direct	10,614	92.4%	10,938	96.6%
Via broker	873	7.6%	390	3.4%
Total	11,487	100.0%	11,328	100.0%

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, primarily including motor, commercial and household property, agriculture, liability and engineering insurance.

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

Unit: in RMB millions, except for percentages

Line of business	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Motor	4,996	43.5%	4,819	42.5%
Commercial and household property	2,107	18.3%	2,344	20.7%
Agriculture	1,657	14.4%	1,860	16.4%
Liability	1,270	11.1%	935	8.3%
Engineering	552	4.8%	482	4.3%
Others ¹	905	7.9%	888	7.8%
Total	11,487	100.0%	11,328	100.0%

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

Motor reinsurance. In the first half of 2017, we further strengthened our business cooperation with major domestic ceding companies. The reinsurance premium income from motor insurance amounted to RMB4,996 million, representing a year-on-year increase of 3.7%.

Commercial and household property reinsurance. In the first half of 2017, we adjusted our business mix and took into account market competition and changes in reinsurance strategy of primary insurance companies, enhanced risk control, and exerted strict control over business quality and accumulation of catastrophic liability. The reinsurance premium income from commercial and household property insurance amounted to RMB2,107 million, representing a year-on-year decrease of 10.1%.

Agriculture reinsurance. In the first half of 2017, we exerted strict control over business quality and adjusted our business mix. Affected by the reduction of ceding proportion by some primary insurance companies, the reinsurance premium income from agriculture insurance amounted to RMB1,657 million, representing a year-on-year decrease of 10.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

Liability reinsurance. In the first half of 2017, we captured opportunities arising from rapid growth of primary insurance market and made efforts to enhance expansion of liability reinsurance. The reinsurance premium income from liability insurance amounted to RMB1,270 million, representing a year-on-year increase of 35.8%.

Engineering reinsurance. In the first half of 2017, we seized the business opportunities brought by the “Belt and Road Initiative” and other national strategies as well as large-scale projects and continued to expand the business development of engineering reinsurance. The reinsurance premium income from engineering insurance amounted to RMB552 million, representing a year-on-year increase of 14.5%.

Clients and client services

In the first half of 2017, we continued to consolidate good client relationship. We have established long-term stable relationship with major P&C insurance companies in the PRC and strengthened our relationship through business cooperation, exchange of technical know-how and client services. As at the end of the Reporting Period, we maintained business relationships with 76 P&C insurance companies in China, covering 91.5% of P&C insurance companies in China.

Overseas P&C Reinsurance Business

Overseas P&C Reinsurance Business mentioned in this section refers to the overseas P&C reinsurance business operated by the Group Company and China Re P&C through Beijing Platform and Singapore Branch (“**Beijing and Singapore Platform Business**”), as well as the Lloyd’s business operated by China Re Syndicate 2088 (“**Lloyd’s Business**”). In the first half of 2017, the overseas P&C gross written premiums amounted to RMB1,811 million (before intra-segment eliminations), representing a year-on-year increase of 12.0%. The combined ratio was 92.5% (before intra-segment eliminations), representing a year-on-year decrease of 5.1 percentage points, of which loss ratio was 50.7%, representing a year-on-year decrease of 4.7 percentage points and expense ratio was 41.8%, representing a year-on-year decrease of 0.4 percentage point.

Beijing and Singapore Platform Business

We continued adhering to the principle of “Maintaining Profitability while Keeping Risks under Control, as well as Rational Operation and Prudent Growth”. Under the continuously soft global reinsurance market environment, we endeavored to maintain and increase our participation in the existing profitable business and adjusted underperforming business lines. We also actively expanded the Asia Pacific market and thoroughly seized the quality business opportunities. In the first half of 2017, reinsurance premium income from Beijing and Singapore Platform Business amounted to RMB1,167 million, representing a year-on-year increase of 10.8%. The combined ratio was 88.9%, of which loss ratio was 50.6% and expense ratio was 38.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of types of reinsurance arrangement, our Beijing and Singapore Platform Business consisted primarily of treaty reinsurance business.

The following table sets forth the reinsurance premium income from our Beijing and Singapore Platform Business by type of reinsurance arrangement for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	1,150	98.5%	1,025	97.3%
Facultative reinsurance	17	1.5%	28	2.7%
Total	1,167	100.0%	1,053	100.0%

In terms of geographic areas, Asia, Europe and North America were the main source regions of our Beijing and Singapore Platform Business, representing 50.6%, 29.3% and 14.3% of its total reinsurance premium income, respectively. In the first half of 2017, we achieved good progress through active business development in the Asia-Pacific region and our business in Asia accounted for a significantly larger proportion compared with that of the corresponding period of last year. The proportion of European business recorded a year-on-year decline due to the fact that certain strategic cooperative businesses were transferred to China Re Syndicate 2088 this year.

The following table sets forth the reinsurance premium income from our Beijing and Singapore Platform Business by source region of business for the reporting periods indicated:

Unit: in RMB millions, except for percentages

Source region of business	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Asia	591	50.6%	365	34.7%
Europe	342	29.3%	480	45.6%
North America	167	14.3%	174	16.5%
Latin America	45	3.9%	23	2.2%
Oceania	17	1.4%	3	0.3%
Africa	5	0.5%	8	0.7%
Total	1,167	100.0%	1,053	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of lines of business, our Beijing and Singapore Platform Business primarily provided coverage on non-marine, specialty and motor insurance. Business mix consisted mainly of short-tail business.

In terms of business channels, reputable international brokers remained our major sources of Beijing and Singapore Platform Business. We also cooperated with distinctive small-and-medium-sized brokers to seek quality regional business.

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

Lloyd's Business

China Re Syndicate 2088 conducts insurance and reinsurance businesses with its independent brand and position at Lloyd's. In the first half of 2017, gross written premiums from our Lloyd's business amounted to RMB644 million, representing a year-on-year increase of 14.2%, mainly due to the increase both in the strategic cooperative business and in new lines including casualty business. The combined ratio was 98.9%, of which loss ratio was 51.0% and expense ratio was 47.9%.

CNIP Business

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In the first half of 2017, our reinsurance premium income from CNIP amounted to RMB51 million.

CNIP was established in 1999 and the Group Company has been the management institution and chairman company of CNIP from its establishment date to November 2016. Starting from November 2016, the management institution of CNIP changed from the Group Company to China Re P&C. Members of CNIP include 29 domestic and overseas P&C insurance and reinsurance companies. CNIP's business primarily includes nuclear P&C insurance and nuclear third-party liability insurance. The objects insured by CNIP are extensively located in the PRC and overseas countries with nuclear energy. Business risks are well controlled through the wide geographical diversification.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

	2017	2016	Change
Gross written premiums	13,321	12,903	3.2%
Less: Premiums ceded to retrocessionaires	(357)	(285)	25.3%
Net written premiums	12,964	12,618	2.7%
Change in unearned premium reserves	(635)	887	—
Net premiums earned	12,329	13,505	(8.7%)
Reinsurance commission income	35	66	(47.0%)
Investment income	819	874	(6.3%)
Exchange gains, net	89	203	(56.2%)
Other income	13	12	8.3%
Total income	13,285	14,660	(9.4%)
Claims and policyholders' benefits	(6,941)	(8,132)	(14.6%)
Handling charges and commissions	(5,043)	(5,146)	(2.0%)
Finance costs	(5)	(1)	400.0%
Other operating and administrative expenses	(263)	(214)	22.9%
Total benefits, claims and expenses	(12,252)	(13,493)	(9.2%)
Share of profits of associates	13	(6)	—
Profit before tax	1,046	1,161	(9.9%)
Income tax	(216)	(186)	16.1%
Net profit	830	975	(14.9%)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment increased by 3.2% from RMB12,903 million in the first half of 2016 to RMB13,321 million in the first half of 2017, mainly due to the growth of domestic liability reinsurance business, motor reinsurance business and overseas P&C reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our P&C reinsurance segment increased by 25.3% from RMB285 million in the first half of 2016 to RMB357 million in the first half of 2017, mainly due to the increase in ceded proportion to certain retrocessionaires for our overseas P&C reinsurance business.

Investment Income

Investment income for our P&C reinsurance segment decreased by 6.3% from RMB874 million in the first half of 2016 to RMB819 million in the first half of 2017. For details of analysis on changes of investment income, please refer to relevant contents of asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment decreased by 14.6% from RMB8,132 million in the first half of 2016 to RMB6,941 million in the first half of 2017, which was in line with the decrease in net premiums earned.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment decreased by 2.0% from RMB5,146 million in the first half of 2016 to RMB5,043 million in the first half of 2017, mainly due to the decrease in sliding scale commissions.

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment recorded RMB13 million in the first half of 2017 against a loss of RMB6 million in the first half of 2016, 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 decreased by 14.9% from RMB975 million in the first half of 2016 to RMB830 million in the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LIFE AND HEALTH REINSURANCE

Life and health reinsurance business segment comprises the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by Group Company through China Re Life. In the first half of 2017, under the regulatory guideline of promoting the life insurance industry to “refocus on protection function and serve the real economy”, the domestic life insurance market has entered into a new stage of transformation and development. There was a continued downturn in sales of RMB-denominated policies in Hong Kong life insurance market. We took initiative to adjust the market and product strategy in a timely manner, and achieved significant growth in premium volume by expediting the development of domestic protection-type and savings-type business, while seeking opportunities to develop financial reinsurance. China Re Life is the leading reinsurer in domestic market and the cross-border RMB-denominated reinsurance market in Hong Kong, with over 80% of all of its contracts being entered into as a lead reinsurer.

In the first half of 2017, the reinsurance premium income of our life and health reinsurance business segment recorded a year-on-year increase of 64.2% to RMB36,612 million, accounting for 53.3% of gross written premiums of the Group (before inter-segment eliminations), of which the reinsurance premium income of China Re Life amounted to RMB36,552 million. In the first half of 2017, the net profit of life and health reinsurance business segment was RMB687 million and annualized weighted average return on equity was 6.94%. In the first half of 2017, China Re Life achieved total written premiums (“TWPs”) of RMB37,215 million (including TWPs of RMB663 million for savings-type universal life reinsurance), representing a year-on-year increase of 59.5%.

Given the business significance and operational independence of China Re Life and that the reinsurance premium income of China Re Life accounted for more than 99.8% of the life and health reinsurance segment income, unless otherwise stated, references to our life and health reinsurance business in the business analysis of this section shall be the business of China Re Life.

Business Analysis

In terms of business lines, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Business lines	2017		2016	
	Amount	Percentage	Amount	Percentage
Domestic protection-type reinsurance	3,570	9.8%	2,600	11.7%
Domestic savings-type reinsurance	7,565	20.7%	96	0.4%
Domestic financial reinsurance	23,725	64.9%	16,832	75.7%
Domestic in total	34,860	95.4%	19,528	87.8%
Overseas savings-type reinsurance	1,638	4.5%	2,587	11.6%
Other overseas business	54	0.1%	123	0.6%
Overseas in total	1,692	4.6%	2,710	12.2%
Total	36,552	100.0%	22,238	100.0%

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Universal life reinsurance	2017		2016	
	Amount	Percentage	Amount	Percentage
Domestic savings-type universal life reinsurance	124	18.7%	387	35.2%
Overseas savings-type universal life reinsurance	539	81.3%	711	64.8%
Total	663	100.0%	1,098	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Domestic Life and Health Reinsurance

In the first half of 2017, our domestic life and health reinsurance business recorded TWPs of RMB34,984 million, representing a year-on-year increase of 75.7%, of which the reinsurance premium income amounted to RMB34,860 million, representing a year-on-year increase of 78.5%.

In respect of protection-type reinsurance business, we conducted analysis on the trend of development and transformation of the industry. Through data analysis, we actively upgraded our protection-type insurance products, set effective customer and product strategies, enhanced business expansion of long-term accident protection products including accident insurance for drivers and passengers of private-owned motor vehicles, and strengthened risk control of critical illness and cancer insurance business. Our business achieved a rapid growth and our business structure was significantly improved, leading to growth in both premium volume and business value. In the first half of 2017, our reinsurance premium income from protection-type reinsurance business amounted to RMB3,570 million, representing a year-on-year increase of 37.3%. The reinsurance premium income from yearly renewable term reinsurance business (i.e., YRT reinsurance business is a kind of reinsurance arrangements entered into by ceding companies based on a certain proportion of net amount at risk at an annual rate) was RMB2,061 million, representing a year-on-year increase of 53.5%, accounting for 57.7% of reinsurance premium income from protection-type reinsurance business.

In respect of savings-type reinsurance business, we comprehended the implications of the new regulatory policies regarding life insurance products and seized the opportunity of the timing for asset allocation caused by the volatility of capital market. We expanded our domestic savings product business with effective support from investment to meet customers' demand of comprehensive reinsurance service and facilitate the development of domestic saving-type business. In the first half of 2017, the TWPs of our domestic savings-type reinsurance business amounted to RMB7,689 million, representing a year-on-year increase of 1491.9%.

In respect of financial reinsurance business, we promptly acted in accordance with the updated regulatory requirements by providing optimized and innovative financial reinsurance solutions. We conducted detailed analysis on customers' demand, formulated personalized solutions, implemented effective control of credit risk, and promoted the growth in scale of financial reinsurance business. In the first half of 2017, the reinsurance premium income from financial reinsurance business was RMB23,725 million, representing a year-on-year increase of 41.0%.

Overseas Life and Health Reinsurance

In the first half of 2017, under the impact of continued downturn in sales of RMB-denominated policies in Hong Kong market, the premiums of new RMB-denominated policies of overall Hong Kong market decreased by almost 60% for the three months ended 31 March 2017 as compared with that of the corresponding period in 2016, as released by Hong Kong Insurance Authority.

The overseas life and health reinsurance business showed a downward trend. TWPs amounted to RMB2,231 million, representing a year-on-year decrease of 34.8%, of which the reinsurance premium income recorded a year-on-year decrease of 37.6% to RMB1,692 million. In respect of overseas savings-type reinsurance business, we recorded TWPs of RMB2,177 million, representing a year-on-year decrease of 34.0%. For other overseas business, the reinsurance premium income amounted to RMB54 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Unit: in RMB millions, except for percentages

Type of reinsurance arrangement	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	36,430	99.7%	22,093	99.3%
Facultative reinsurance	122	0.3%	145	0.7%
Total	36,552	100.0%	22,238	100.0%

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

Unit: in RMB millions, except for percentages

Form of cession	For the six months ended 30 June			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	36,530	99.9%	22,202	99.8%
Non-proportional reinsurance	22	0.1%	36	0.2%
Total	36,552	100.0%	22,238	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Insurance product type	2017		2016	
	Amount	Percentage	Amount	Percentage
Life	33,042	90.4%	19,434	87.4%
Health	2,473	6.8%	1,924	8.7%
Accident	1,037	2.8%	880	3.9%
Total	36,552	100.0%	22,238	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

	2017	2016	Change
Gross written premiums	36,612	22,302	64.2%
Less: Premiums ceded to retrocessionaires	(1,162)	(1,207)	(3.7%)
Net written premiums	35,450	21,095	68.0%
Change in unearned premium reserves	(442)	(316)	39.9%
Net premiums earned	35,008	20,779	68.5%
Reinsurance commission income	165	212	(22.2%)
Investment income	1,447	1,386	4.4%
Exchange gains/(losses), net	19	(5)	—
Other income	86	66	30.3%
Total income	36,725	22,438	63.7%
Claims and policyholders' benefits	(35,458)	(22,343)	58.7%
Handling charges and commissions	(477)	615	—
Finance costs	(26)	(54)	(51.9%)
Other operating and administrative expenses	(371)	(257)	44.4%
Total benefits, claims and expenses	(36,332)	(22,039)	64.9%
Share of profits of associates	466	412	13.1%
Profit before tax	859	811	5.9%
Income tax	(172)	(172)	0.0%
Net Profit	687	639	7.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Reinsurance premium income from our life and health reinsurance segment increased by 64.2% from RMB22,302 million in the first half of 2016 to RMB36,612 million in the first half of 2017, mainly due to the growth in domestic savings-type reinsurance and domestic financial reinsurance business.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our life and health reinsurance segment decreased by 3.7% from RMB1,207 million in the first half of 2016 to RMB1,162 million in the first half of 2017, mainly due to the reduction of retrocession arrangements for savings-type reinsurance.

Investment Income

Investment income for our life and health reinsurance segment increased by 4.4% from RMB1,386 million in the first half of 2016 to RMB1,447 million in the first half of 2017. For details of analysis on changes of investment income, please refer to relevant contents of asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment increased by 58.7% from RMB22,343 million in the first half of 2016 to RMB35,458 million in the first half of 2017, mainly due to the increase in reserves resulting from provision for new businesses.

Handling Charges and Commissions

Handling charges and commissions for our life and health reinsurance segment increased from negative RMB615 million in the first half of 2016 to RMB477 million in the first half of 2017, mainly due to the changes in handling charges and commissions resulted from the changes in financial reinsurance business.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment increased by 13.1% from RMB412 million in the first half of 2016 to RMB466 million in the first half of 2017, mainly due to the increase in investment in associates.

Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 7.5% from RMB639 million in the first half of 2016 to RMB687 million in the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

PRIMARY P&C INSURANCE

Primary P&C insurance business refers to the property insurance business operated by China Continent Insurance. In the first half of 2017, we continued to promote the business transformation, intensified the channel specialization and strengthened the cultivation and training of sales team to enhance the competitiveness effectively. We made great efforts in promoting profitable business. On the one hand, in motor insurance business we continued to implement the “identifying, controlling and introducing” strategy, and on the other hand, in non-motor insurance business we made more efforts in the “Motor + Personal Accident” combined sales and strengthened the development of innovative business including personal loan surety insurance, litigation property preservation liability insurance and “insurance + futures” project. We accelerated the development of telesales and online sales business, optimised organisational structure and improved operational efficiency. We strengthened the synergies between online and offline channels and continued to improve the operation management of offline services. We continued to facilitate the establishment of branches, accelerate the development in key regions, and strengthen demonstration effect and synergies. Our efforts saw significant results. We continued to enhance service of claims settlement, the quality of claims settlement was further improved and service efficiency was further enhanced.

In the first half of 2017, premium income from our primary P&C insurance business segment recorded steady growth. Gross written premiums amounted to RMB18,701 million, representing a year-on-year increase of 18.5% and accounting for 27.3% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB18,602 million, representing a year-on-year increase of 18.4%. Net profit of our primary P&C insurance business segment amounted to RMB722 million and annualized weighted average return on equity reached 10.35%. The combined ratio was 98.2%, of which loss ratio was 53.6% and expense ratio was 44.6%. According to primary premium income from P&C insurance companies in the first half of 2017 published by the CIRC, the market share of our primary P&C insurance business segment reached 3.53%, representing a year-on-year increase of 0.14 percentage point.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

Analysis by Line of Business

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Line of business	2017		2016	
	Amount	Percentage	Amount	Percentage
Motor	13,601	73.1%	11,992	76.4%
Accident and Short-term Health	1,827	9.8%	1,382	8.8%
Surety	879	4.7%	397	2.5%
Liability	716	3.9%	584	3.7%
Commercial Property	595	3.2%	573	3.6%
Agriculture	264	1.4%	122	0.8%
Others ¹	720	3.9%	655	4.2%
Total	18,602	100.0%	15,705	100.0%

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

Motor Insurance. In the first half of 2017, primary premium income from our motor insurance amounted to RMB13,601 million, representing a year-on-year increase of 13.4%. We continued to push forward the strategy of “identifying, controlling and introducing”, further subdivided risk dimensions of motor insurance, strengthened precise risk identification, implemented linkage between cost and price, enhanced accuracy of resource allocation to optimize business structure and speed up business development at the same time. In the first half of 2017, growth rate of our motor insurance exceeded the market growth rate by 4.2 percentage points, ranking the fifth in market share. The business quality and profitability of motor insurance continued to improve.

Accident and Short-term Health Insurance. In the first half of 2017, primary premium income from accident and short-term health insurance amounted to RMB1,827 million, representing a year-on-year increase of 32.2%, of which primary premium income from accident insurance amounted to RMB810 million, representing a year-on-year increase of 22.5%; primary premium income from short-term health insurance (excluding critical illness insurance) amounted to RMB673 million, representing a year-on-year increase of 33.0%; primary premium income from critical illness insurance amounted to RMB344 million, representing a year-on-year increase of 60.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

We capitalized on the “leading” function of the headquarters in strong promotion and rapid development. The promotion of “Motor + Personal Accident” business became normalized. Million Medical Care, Internet Platform Business and other innovative business achieved rapid development. Health insurance recorded a relatively rapid growth with full coverage over the four major fields of health insurance including healthcare, illness, disability and care. Meanwhile, we continued to enhance claims management and control which results in an improvement of operating performance.

Surety Insurance. In the first half of 2017, primary premium income from surety insurance amounted to RMB879 million, representing a year-on-year increase of 121.4%. We have put great effort to expand personal loan surety insurance business. Under strict risk control, we steadily recruited personnel, established branches, developed products, set up database, built up connection with external credit reference center to acquire credit information and developed our own risk management model. We have opened 94 stores in 24 provinces achieving a significant increase in gross written premiums.

Liability Insurance. In the first half of 2017, primary premium income from liability insurance amounted to RMB716 million, representing a year-on-year increase of 22.6%. Seizing the development opportunities from “New Ten Guidelines in the insurance industry”, we supported the national strategies and changes in government management functions, served the real economy, protected social safety and made great efforts in pushing forward the development of innovative business including compulsory safe production liability insurance, pollution liability insurance, construction and residential projects quality liability insurance, first pilot equipment scheme comprehensive insurance, comprehensive liability insurance of the first application of new materials, credit card fraud insurance and intellectual property protection insurance, achieving rapid growth in liability insurance business.

Commercial Property Insurance. In the first half of 2017, primary premium income from commercial property insurance amounted to RMB595 million, representing a year-on-year increase of 3.8%. We actively seized the development opportunities brought by the supply-side structural reform and actively explored insurance brokers channel under strengthened risk management and control, achieving moderate growth in commercial property insurance business.

Agriculture Insurance. In the first half of 2017, primary premium income from agriculture insurance amounted to RMB264 million, representing a year-on-year increase of 116.4%. We focused on the theme of “serving agriculture, rural areas and farmers” to strengthen business expansion, product development, service network and establishment of talent team. The scale of policy-supported agriculture insurance business was increasing steadily and innovative insurance projects, such as poverty alleviation insurance, catastrophe insurance and localized agricultural insurance products “insurance + futures”, experiencing a rapid growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis by Distribution Channel

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

Unit: in RMB millions, except for percentages

Distribution Channel	2017		2016	
	Amount	Percentage	Amount	Percentage
Insurance agents	9,741	52.4%	8,076	51.4%
Of which: Individual insurance agents	5,821	31.3%	4,264	27.2%
Ancillary insurance agencies	2,193	11.8%	2,488	15.8%
Professional insurance agencies	1,727	9.3%	1,324	8.4%
Direct sales	7,662	41.2%	6,596	42.0%
Insurance brokers	1,199	6.4%	1,033	6.6%
Total	18,602	100.0%	15,705	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis by Region

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

Unit: in RMB millions, except for percentages

For the six months ended 30 June

Region	2017		2016	
	Amount	Percentage	Amount	Percentage
Shanghai	1,883	10.1%	1,356	8.6%
Shandong	1,574	8.5%	1,304	8.3%
Yunnan	1,445	7.8%	1,238	7.9%
Zhejiang	1,386	7.5%	1,226	7.8%
Inner Mongolia	983	5.3%	772	4.9%
Guangdong	944	5.1%	798	5.1%
Jiangsu	792	4.3%	643	4.1%
Jiangxi	682	3.7%	560	3.6%
Sichuan	650	3.5%	644	4.1%
Hebei	645	3.5%	542	3.5%
Others	7,618	40.7%	6,622	42.1%
Total	18,602	100.0%	15,705	100.0%

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 six months ended 30 June

	2017	2016
Loss ratio (%)	53.6	52.5
Expense ratio (%)	44.6	44.7
Combined ratio (%)	98.2	97.2

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: in RMB millions, except for percentages

For the six months ended 30 June

	2017	2016	Change
Gross written premiums	18,701	15,780	18.5%
Less: Premiums ceded to reinsurers	(1,599)	(1,334)	19.9%
Net written premiums	17,102	14,446	18.4%
Change in unearned premium reserves	(1,628)	(1,050)	55.0%
Net premiums earned	15,474	13,396	15.5%
Reinsurance commission income	529	326	62.3%
Investment income	755	472	60.0%
Exchange (losses)/gains, net	(37)	21	—
Other income	86	49	75.5%
Total income	16,807	14,264	17.8%
Claims and policyholders' benefits	(8,291)	(7,024)	18.0%
Handling charges and commissions	(2,614)	(1,847)	41.5%
Finance costs	(4)	(5)	(20.0%)
Other operating and administrative expenses	(4,942)	(4,389)	12.6%
Total benefits, claims and expenses	(15,851)	(13,265)	19.5%
Share of profits of associates	1	1	0.0%
Profit before tax	957	999	(4.2%)
Income tax	(235)	(225)	4.4%
Net profit	722	774	(6.7%)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 18.5% from RMB15,780 million in the first half of 2016 to RMB18,701 million in the first half of 2017, mainly due to rapid growth in motor insurance, accident and short-term health insurance, surety insurance, liability insurance and agricultural insurance etc. resulting from intensified channel expansion, strengthened training of sales team and improved product development.

Premiums Ceded to Reinsurers

Premiums ceded to Reinsurers for our primary P&C insurance segment increased by 19.9% from RMB1,334 million in the first half of 2016 to RMB1,599 million in the first half of 2017, mainly due to the increase in premiums ceded as a result of growth in business scale.

Reinsurance Commission Income

Reinsurance commission income from our primary P&C insurance segment increased by 62.3% from RMB326 million in the first half of 2016 to RMB529 million in the first half of 2017, mainly due to (i) the continuous increase in premiums ceded; and (ii) improvement in claims settlement of reinsurance contracts in 2016 as compared with 2015.

Investment Income

Investment income for our primary P&C insurance segment increased by 60.0% from RMB472 million in the first half of 2016 to RMB755 million in the first half of 2017. For details of analysis on changes of investment income, please refer to relevant contents of asset management business segment.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 18.0% from RMB7,024 million in the first half of 2016 to RMB8,291 million in the first half of 2017, mainly due to the increase in claims resulting from continuous increase in business scale.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 41.5% from RMB1,847 million in the first half of 2016 to RMB2,614 million in the first half of 2017, mainly due to continuous growth in business scale, more resources allocation to obtain quality business and major distribution channel and acceleration in the channel development of individual insurance agents.

Net Profit

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 6.7% from RMB774 million in the first half of 2016 to RMB722 million in the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSET MANAGEMENT

The Group principally commissions China Re AMC to manage its investment assets. In the first half of 2017, we continued to adhere to a stable, prudent and long-term investment philosophy. We strengthened proactive management and enhanced risk control. We increased holdings of bonds when opportunities arose, pushed forward the optimization and adjustment of real estate investments, strengthened the allocation of financial products, constantly improving the allocation structure of investment assets. We actively promoted synergies between investment business and insurance business to constantly support the development of insurance business. We continued to carry out business transformation development and strived to increase the level of investment gains.

As at the end of the Reporting Period, the total investment assets balance of the Group was RMB184,338 million, of which RMB164,734 million was under the management of China Re AMC. In addition, China Re AMC also managed third party assets under commissions of RMB63,506 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Portfolio

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

Unit: in RMB millions, except for percentages

Investment assets	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage	Amount	Percentage
Cash and short-term time deposits	18,364	10.0%	16,833	10.1%
Fixed-income investments	116,193	63.0%	107,603	64.3%
Time deposits	5,237	2.8%	13,505	8.1%
Bonds	64,463	34.9%	48,868	29.2%
Government bonds	725	0.4%	143	0.1%
Financial bonds	14,979	8.1%	11,299	6.7%
Enterprise (corporate) bonds	40,232	21.8%	28,881	17.3%
Subordinated bonds	8,527	4.6%	8,545	5.1%
Investments classified as loans and receivables	27,411	14.9%	25,894	15.5%
Other fixed-income investments ¹	19,082	10.4%	19,336	11.5%
Equity and investment funds	37,474	20.4%	30,092	17.9%
Investment funds ²	15,802	8.6%	14,526	8.7%
Stocks	14,316	7.8%	12,776	7.6%
Derivatives	144	0.1%	38	0.0%
Unlisted equity shares ³	7,212	3.9%	2,752	1.6%
Investment properties	2,745	1.5%	3,122	1.9%
Investments in associates	13,341	7.2%	12,451	7.4%
Less: securities sold under agreements to repurchase	(3,779)	(2.1%)	(2,738)	(1.6%)
Total investment assets	184,338	100.0%	167,363	100.0%

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

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

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

In the first half of 2017, by capturing the opportunities arising from the significant adjustment in the bond market actively, our high-quality mid-to-long-term bonds allocation significantly increased by approximately RMB17,000 million, providing support for the stable investment income in 2017 and the coming years.

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: in RMB millions, except for percentages

Investment income	For the six months ended 30 June	
	2017	2016
Cash and fixed-income investments	2,770	2,862
Interest income	2,777	2,829
Realised (losses)/gains	(2)	40
Unrealised losses	(5)	(7)
Impairment losses	—	—
Equity and investment funds	381	(105)
Dividend income	408	688
Realised gains/(losses)	294	(572)
Unrealised gains	157	40
Impairment losses	(478)	(261)
Rental income from investment properties	22	23
Gains on disposal of investment properties	727	—
Investment income from investment in associates	1,148	1,168
Less: interest expenses on securities sold under agreements to repurchase	(40)	(73)
Total investment income	5,008	3,875
Annualized total investment yield (%) ¹	5.70	4.75
Net investment income	4,037	4,297
Annualized net investment yield (%) ²	4.59	5.27

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

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

Investment assets equals the sum of cash and short-term time deposits, financial assets at fair value through profit or loss, financial assets held under resale agreements, time deposits, available-for-sale financial assets, held-to-maturity investments, investments classified as loans and receivables, reinsurers' share of policy loans, investments in associates, statutory deposits and investment property, net of securities sold under agreements to repurchase.

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

Net investment income equals to the sum of interest, dividends, rental income and share of profit of associates.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, our annualized total investment yield on a consolidated basis was 5.70%, representing a year-on-year increase of 0.95 percentage point; our total investment income amounted to RMB5,008 million, representing a year-on-year increase of 29.2%, mainly due to the fact that we adhered to the steady and prudent investment philosophy, proactively seized opportunities from the capital market and strengthened proactive management, resulting in a year-on-year increase in investment gains from equity and investment funds. Meanwhile, we obtained gain of RMB727 million from a disposal of investment properties (Shanghai World Plaza). For details, please refer to the section headed “Major Events”.

Currently our significant investments held mainly include Bairong World Trade Center Real Estate Debt Investment Scheme and investments in an associate company, China Everbright Bank Co., Ltd. (“**China Everbright Bank**”).

On 23 June 2016, China Re P&C, China Re Life and China Continent Insurance entered into a Trust Contract respectively with China Re AMC, to subscribe to the real estate debt investment scheme of Bairong World Trade Center with a term of 11 years. The subscription amount by China Re P&C, China Re Life and China Continent Insurance was RMB8,000 million. The principal of RMB500 million for such scheme was repaid to the investors on 27 June 2017. In the first half of 2017, the underlying assets of such scheme, Towers A, B and C of Bairong World Trade Center, recorded normal rental operation. The repayment entity maintained a good financial condition with sufficient cash flows, which is expected to continue to contribute stable and high investment income in the future.

In the first half of 2017, China Everbright Bank maintained a relatively stable profitability. As at 30 June 2017, China Re Group held approximately 4.93% of China Everbright Bank’s equity share in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

INSURANCE INTERMEDIARY

Insurance intermediary business refers to the insurance intermediary business operated by Huatai Insurance Agency and Consultant Service Limited and its wholly-owned subsidiary, Huatai Surveyors & Adjusters Company Limited. In the first half of 2017, under the increasingly competitive market of insurance intermediary business, our insurance intermediary business continued to expand business development in domestic and overseas market so as to enhance customer management as well as strengthen the capabilities of resource development integration. In addition to consolidation and enhancement in infrastructures, finance, energy, Internet and other businesses, we explored business opportunities in many fields such as health management and government public services, and gradually enlarged the proportion of renewable business to promote sustainable development.

In the first half of 2017, revenue from insurance intermediary business amounted to RMB133 million, representing a year-on-year decrease of 10.7%, mainly due to the change in contract signing time of Internet business. It is expected that revenue from the business during the year would maintain stable growth. Profit before tax amounted to RMB1.975 million, representing a year-on-year decrease of 66.8%, mainly due to the significant increase in workplace leasing expense in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

SOLVENCY

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

	<i>Unit: in RMB millions, except for percentages</i>		
	As at 30 June 2017	As at 31 December 2016	Change
China Re Group			
Core capital	55,907	61,396	(5,489)
Available capital	55,907	61,396	(5,489)
Minimum capital	28,114	23,822	4,292
Core solvency adequacy ratio	199%	258%	Decrease of 59 percentage points
Aggregated solvency adequacy ratio	199%	258%	Decrease of 59 percentage points
Group Company			
Core capital	53,387	60,089	(6,702)
Available capital	53,387	60,089	(6,702)
Minimum capital	9,480	7,470	2,010
Core solvency adequacy ratio	563%	804%	Decrease of 241 percentage points
Aggregated solvency adequacy ratio	563%	804%	Decrease of 241 percentage points
China Re P&C			
Core capital	18,406	17,789	617
Available capital	18,406	17,789	617
Minimum capital	8,880	8,503	377
Core solvency adequacy ratio	207%	209%	Decrease of 2 percentage points
Aggregated solvency adequacy ratio	207%	209%	Decrease of 2 percentage points
China Re Life			
Core capital	17,857	15,745	2,112
Available capital	17,857	15,745	2,112
Minimum capital	8,016	6,109	1,907
Core solvency adequacy ratio	223%	258%	Decrease of 35 percentage points
Aggregated solvency adequacy ratio	223%	258%	Decrease of 35 percentage points
China Continent Insurance			
Core capital	13,846	12,986	860
Available capital	13,846	12,986	860
Minimum capital	4,705	4,488	217
Core solvency adequacy ratio	294%	289%	Increase of 5 percentage points
Aggregated solvency adequacy ratio	294%	289%	Increase of 5 percentage points

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

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

3. The data of solvency as at 30 June 2017 is not audited or reviewed by the auditor of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Compared with the end of 2016, the consolidated solvency adequacy ratios of China Re Group decreased in a certain extent, mainly due to the fact that China Re Group received large sum of business ceded in the first half of 2017, and it is expected that the consolidated solvency adequacy ratios would recover after the termination of the business. The solvency adequacy ratios of the Group Company significantly decreased mainly because the Group Company received large sum of business ceded from China Re Life in the first half of 2017, which led to the decrease of available capital and increase of minimum capital. The solvency adequacy ratio of China Re P&C and China Continent Insurance remained stable and that of China Re Life decreased mainly due to the increase of minimum capital resulting from business development.

According to the requirements of The Solvency Regulatory Rules (No. 1–17) for Insurance Companies (《保險公司償付能力監管規則(1–17號)》) issued by the CIRC, the “Summary of Solvency Reports” for the second quarter of 2017 of the Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, have been disclosed on their respective official websites and the website of Insurance Association of China when the 2017 interim results of the Company are disclosed. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Report as at the end of the second quarter of 2017 (which are same as the indicators which have been submitted to the CIRC and are not audited or reviewed by the auditor of the Company):

Indicators	<i>Unit: in RMB millions</i>			
	Group Company	China Re P&C	China Re Life	China Continent Insurance
As at 30 June 2017				
Net assets	54,670	18,427	13,828	14,418
For the six months ended 30 June 2017				
Insurance income	419	12,287	36,552	18,701
Net profit	984	525	673	774

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE FLUCTUATION RISK

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

DETAILS OF ASSETS CHARGED

As at 30 June 2017, the market value of RMB13,009 million bonds (31 December 2016: RMB10,335 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

CONTINGENCIES

As at 30 June 2017, the Group has issued the following guarantees:

As at 30 June 2017, the Group Company provided maritime guarantee of RMB2,245 million (31 December 2016: RMB2,258 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 Limited, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 at the end of 2011. As at 30 June 2017, the Group Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP110 million (31 December 2016: GBP90 million).

EMPLOYEES

As at 30 June 2017, China Re Group had a total of 51,009 employees. 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 remuneration management system of "fairness within the Company, competitiveness compared to external competitors, flexibility and efficiency". The Group Company provides employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits.

The Group is devoted to realising a win-win situation between corporate development and employee growth, enhancing its resources invested in talent cultivation, putting efforts into talent training, providing them with guidance and suggestions on career development and paving the career development path for employees. Through multi-level training, job rotations and overseas training, the Group enhances employees' overall quality and professionalism, broadens their international horizon and promotes the all-rounded development of employees.

MANAGEMENT DISCUSSION AND ANALYSIS

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 was subject to reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, the related-party transactions set out in Note 32 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

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

Other Major Events

(1) Issuance of US Dollar-denominated Notes

On 3 February 2017, China Reinsurance Finance Corporation Limited (the "Issuer") was established by China Re Asset Management (Hong Kong) Company Ltd., a wholly-owned subsidiary of China Re AMC, the Company's subsidiary. On 9 March 2017 and 30 June 2017, China Re Group successfully issued notes with aggregate principal amounts of US\$800 million and US\$700 million (the "Notes") through the Issuer, respectively. The two tranches of notes were consolidated and formed a single series. The interest rate was 3.375% per annum payable semi-annually in arrears on 9 March and 9 September of each year. The maturity date of the Notes is 9 March 2022, unless earlier redeemed in accordance with the terms thereof. The issuance was supported by the Keepwell Deed executed by the Company, the Issuer and the trustee. The Company undertook to, among other things, procure the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable under or in respect of the Notes. The net proceeds from the issue of the Notes will be used for general corporate purposes and investments in offshore projects.

For further details, please refer to the announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 27 February 2017, 3 March 2017, 9 March 2017, 19 June 2017, 22 June 2017, 30 June 2017 and 13 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Disposal of Investment Properties (Shanghai World Plaza)

Shanghai World Plaza was built in the beginning of 1999 with a useful life of 50 years until 2042 and a total gross floor area of 85,161 sq. m., of which, the Company owned 35,190 sq. m. (29,420 sq. m. on the ground and 5,770 sq. m. of the underground carpark) of Shanghai World Plaza, accounting for 41.3% of the total gross floor area.

To optimise the real estate structure and enhance investment income on real estate, according to the Disposal Plan of Shanghai World Plaza considered and approved by the Board on 21 July 2015, the Company listed and transferred its equity in Shanghai World Plaza on Shanghai United Assets and Equity Exchange on 15 March 2017. On 28 April 2017, relevant potential bidders participated in the internet bidding and the final transaction price amounted to RMB1,223 million. On 30 June 2017, the parties to the transaction completed the delivery of property rights.

The Group recognized the above investment income in the interim financial report for 2017 with the gain on disposal amounting to RMB727 million, details of which are set out in Note 6(b) to the financial statements.

As the highest applicable percentage ratio for the transaction of disposal of Shanghai World Plaza was less than 5%, the disposal did not constitute a disclosable transaction under Chapter 14 of the Hong Kong Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The National Financial Work Conference convened in July 2017 made clear that the financial industry shall go back to the fundamental purpose to serve the real economy while the insurance industry shall give play to and expand its functions of long-term stable risk management and protection. China Re Group will adhere to the spirit of the National Financial Work Conference based on its own actual operation, give play to its advantages and expertise, expedite its deployment and grasp new development opportunities. We will also give play to the leading and innovating effect of reinsurance on insurance market so as to facilitate the transformation and upgrade of insurance industry, actively participate in the establishment of national risk management system and play an important role in this regard.

For P&C reinsurance business, we will further promote the establishment of marketization of operation system and mechanism, focus on the optimization and transformation of business mix, and strive to achieve greater breakthroughs in emerging business fields such as construction inherent defects insurance. We will actively support the establishment of the “Belt and Road Initiative”, conduct research and development of proprietary products, focus on promoting the development of national strategic oriented businesses such as catastrophe insurance, speed up the construction of development platforms for overseas business and promote the new domestic and overseas synergy and complementary patterns.

For the life and health reinsurance business, we will continue to focus on building our core capabilities in data analytics, product development and business model innovation, and speed up the digital and technical transformation. We will optimize our operation system with customer-driven approach, and actively push forward the construction of overseas platforms. With active participation in transformation and development of life and health reinsurance products, we look forward to achieving breakthroughs in innovation-driven development.

For the primary P&C insurance business, we will address the challenges and opportunities arising from the second reform of commercial motor insurance premium rate marketisation, speeding up the optimization and arrangement of insurance business mix to create new room for growth in non-motor insurance businesses. We will further strengthen specialised channel construction and promote the innovation and transformation of traditional sales models. We will also speed up the implementation of customer-oriented strategies, promote innovation-driven development, accelerate strategic arrangement and build a comprehensive management system in a steady manner to create a new stage of comprehensive development.

For the asset management business, we will continue to enhance asset and liability management, optimize our asset allocation and put emphasis on risk prevention. We will also continue to promote the synergistic development of investment business and insurance business, constantly enhance our investment capabilities with insurance funds to actively capture the new opportunities from the national strategic landscape and economic structural adjustment.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

SECURITIES TRANSACTIONS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

OTHER INFORMATION

Name of shareholders	Nature of interest and capacity	Class	Number of shares	Approximate percentage of interests of the Company	Approximate percentage of relevant class of shares of the Company
Central Huijin Investment Ltd.	Beneficial owner	Domestic Share	30,397,852,350	71.56%	84.91%
Ministry of Finance of the PRC	Beneficial owner	Domestic Share	5,407,101,067	12.73%	15.10% ⁴
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. ³	Beneficial owner	H Share	431,050,000	1.01%	6.45%

Notes: 1. The data disclosed above were based on the information provided on the website of Hong Kong Stock Exchange at www.hkexnews.hk. As far as the Company is aware, 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.

2. According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

3. Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.

4. 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 30 June 2017 and the numerator 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 by the Company under Section 336 of the SFO.

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) 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.

OTHER INFORMATION

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Changes of Directors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Yuan Linjiang	Executive Director and Chairman	Executive Director and Chairman	Since June 2017, Mr. Yuan Linjiang has been the director and the chairman of the board of directors of China Continent Insurance.
Wang Pingsheng	Executive Director and Vice Chairman	Executive Director and Vice Chairman	Since March 2017, Mr. Wang Pingsheng ceased to be the director of the labour union committee of the Company; since August 2017, he ceased to be the director and the chairman of the board of directors of China Re Life.
Zhang Hong	Executive Director	Supervisor, Chairman of the Board of Supervisors	Since January 2017, Mr. Zhang Hong ceased to be the executive Director; since January 2017, he ceased to be the director and the chairman of the board of directors of China Re P&C; since February 2017, he has been the Supervisor and the Chairman of the Board of Supervisors of the Company; since March 2017, he has been the director of the labour union committee of the Company.
He Chunlei	Vice President (acting as the President)	Executive Director, Executive Vice President (assuming the role of President)	Since January 2017, Mr. He Chunlei ceased to be the director and the chairman of the board of directors of China Continent Insurance; since February 2017, he has been the executive Director, the member of the Strategy and Investment Committee and the member of the Risk Management Committee of the Company; since March 2017, he has been the Executive Vice President, assuming the role of President; since July 2017, he has been the director and the chairman of the board of directors of the China Re P&C; since August 2017, he has been the director of China Re Life; since September 2017, he has been the chairman of the board of directors of China Re Life.

For details of Mr. Zhang Hong's retirement and appointment, as well as Mr. He Chunlei's appointment, please refer to the announcements of the Company dated 28 December 2016, 20 January 2017, 7 March 2017, 8 March 2017 and 17 March 2017.

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

OTHER INFORMATION

Changes of Supervisors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Zhang Hong	Executive Director	Supervisor, Chairman of the Board of Supervisors	Please refer to the section headed “Changes of Directors and Their Information” above.
Wang Yonggang	Supervisor, Chairman of the Board of Supervisors	None	Since February 2017, Mr. Wang Yonggang ceased to be the Supervisor and the Chairman of the Board of Supervisors of the Company as he attained the statutory retirement age.
Cao Shunming	Employee Representative Supervisor	Employee Representative Supervisor	Since April 2017, Mr. Cao Shunming has been the General Counsel of the Company; since May 2017, he has been the director of China Re Asset Management (Hong Kong) Company Ltd.; since June 2017, he ceased to be the director of Huatai Insurance Agency and Consultant Service Limited; since August 2017, he ceased to be the supervisor of China Re Life; since September 2017, he has been the director of China Re P&C.

For details of Mr. Wang Yonggang’s retirement, please refer to the announcements of the Company dated 28 December 2016, 20 January 2017 and 8 March 2017.

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

OTHER INFORMATION

Changes of Senior Management and Their Information

Name	Original Position	Present Position	Changes of Biographies
He Chunlei	Vice President (acting as the President)	Executive Director and Executive Vice President (assuming the role of President)	Please refer to the section headed “Changes of Directors and Their Information” above.
Ren Xiaobing	Vice President, Compliance Controller	Vice President, Compliance Controller and Chief Risk Officer	Since January 2017, Mr. Ren Xiaobing has been the Chief Risk Officer of the Company.
Yu Qing	Vice President, Board Secretary, Joint Company Secretary	Vice President and Chief Financial Officer	Since April 2017, Ms. Yu Qing ceased to be the Joint Company Secretary of the Company; since June 2017, she ceased to be the Board Secretary of the Company, and started to be the Chief Financial Officer of the Company.
Zhao Wei	Assistant to the President	Assistant to the President	Since February 2017, Mr. Zhao Wei has been the director and the chairman of the board of directors of China Re Capital Management Company Limited.
Zhu Xiaoyun		Board Secretary, Joint Company Secretary	Since April 2017, Ms. Zhu Xiaoyun has been the Joint Company Secretary of the Company; since June 2017, she has been the Board Secretary of the Company.

For details of Ms. Yu Qing’s retirement and Ms. Zhu Xiaoyun’s appointment, please refer to the announcement of the Company dated 27 April 2017.

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

REVIEW OF INTERIM REPORT

The Group’s 2017 interim financial information prepared under International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers.

The Group’s interim report has been reviewed by the Audit Committee of the Board.

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 2017 Interim Report. The report summarises the scope of work carried out by EY, valuation methodology, valuation results as well as valuation assumptions used for the above mentioned work.

2. SCOPE OF WORK

The scope of our work is as follows:

- Quantifying embedded value of China Re Group as at 30 June 2017;
- Quantifying value of one year’s new business underwritten by the Group during the 12 months prior to 30 June 2017;
- Reviewing the assumptions used for value of in-force business (“VIF”) and value of one year’s new business valuation of China Re Group; and
- Performing sensitivity tests under alternative assumptions.

3. VALUATION METHODOLOGY

We prepared EV results and the report based on the “Actuarial Practice Standards: Life and Health Insurance Embedded Value Reporting Guidelines” (“EV Standards”) issued by China Association of Actuaries in November 2016.

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 Covered Business.

Since 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:

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

VIF is the present value of the projected after-tax 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 profits arising from the policies ceded during the 12 months prior to the valuation date less CoC required 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.

EMBEDDED VALUE

4. VALUATION RESULTS

This section summarizes embedded value and value of one year's new business results as at 30 June 2017 and the corresponding results as at prior valuation date.

Table 1: EV and 1-year VNB as at 30 June 2017 and 31 December 2016
(in RMB millions)

Valuation Date	30 June 2017	31 December 2016
Embedded value		
Adjusted net worth	74,485	72,774
including: adjusted net worth of life and health reinsurance business	15,826	14,443
Value of in-force business before CoC	6,880	5,365
Cost of Capital	(2,104)	(1,608)
Value of in-force business after CoC	4,776	3,757
Embedded value	79,262	76,531
including: embedded value of life and health reinsurance business	20,602	18,200
Value of new business		
Value of one year's new business before CoC	2,612	1,779
Cost of Capital	(868)	(559)
Value of one year's new business after CoC	1,744	1,220

Note: Figures may not add up due to rounding.

5. VALUATION ASSUMPTIONS

The key assumptions used in EV calculation as at 30 June 2017 are the same as those used as at 31 December 2016.

6. SENSITIVITY

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 30 June 2017. 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 2: Sensitivity Test Results of VIF and 1-year VNB of China Re Group as at 30 June 2017
(in RMB millions)

Scenarios	Value of in-force business after Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	4,776	1,744
Risk discount rate increased by 100 basis points	4,296	1,569
Risk discount rate decreased by 100 basis points	5,330	1,948
Annual investment return rates increased by 50 basis points	5,850	2,008
Annual investment return rates decreased by 50 basis points	3,698	1,479
Mortality and morbidity rates increased by 10%	4,706	1,744
Mortality and morbidity rates decreased by 10%	4,848	1,744
Discontinuance rates increased by 10%	4,639	1,662
Discontinuance rates decreased by 10%	4,922	1,830
Management expenses increased by 10%	4,705	1,713
Management expenses decreased by 10%	4,847	1,776
Combined ratio of short term reinsurance contract increased 1% on absolute basis	4,577	1,611
Combined ratio of short term reinsurance contract decreased 1% on absolute basis	4,986	1,875

7. RELIANCE AND LIMITATIONS

In performing our work, we have relied on the information provided verbally and in writing by, or on behalf of, China Re Group for periods up to 30 June 2017.

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;

EMBEDDED VALUE

- Information regarding to the C-ROSS 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 2015, 2016 and first half year of 2017;
- 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 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 30 June 2017, any future development and changes of such information after that date will not be accounted for.

8. DISCLOSURE

EY has 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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of China Reinsurance (Group) Corporation
(Incorporated in the People's Republic of China with Limited Liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 50 to 93, which comprises the interim condensed consolidated statement of financial position of China Reinsurance (Group) Corporation (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2017

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Gross written premiums	5	67,828,655	50,339,774
Less: Premiums ceded to reinsurers and retrocessionaires	5	(2,315,593)	(2,180,947)
Net written premiums	5	65,513,062	48,158,827
Change in unearned premium reserves		(2,686,429)	(504,652)
Net premiums earned		62,826,633	47,654,175
Reinsurance commission income		412,284	450,693
Investment income	6	4,218,797	3,191,797
Exchange (losses)/gains, net		(1,644)	236,821
Other income		379,198	319,710
Total income		67,835,268	51,853,196

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Total income		67,835,268	51,853,196
Claims and policyholders' benefits	7	(50,689,010)	(37,515,748)
— Claims incurred		(17,130,051)	(16,699,542)
— Life and health reinsurance death and other benefits paid		(6,205,495)	(33,380,225)
— Changes in long-term life and health reinsurance contract liabilities		(27,353,464)	12,564,019
Handling charges and commissions		(7,814,038)	(6,223,493)
Finance costs		(99,782)	(73,478)
Other operating and administrative expenses	8	(6,172,099)	(5,345,780)
Total benefits, claims and expenses		(64,774,929)	(49,158,499)
Share of profits of associates		829,153	757,103
Profit before tax	9	3,889,492	3,451,800
Income tax	10	(885,892)	(698,265)
Profit for the period		3,003,600	2,753,535
Attributable to:			
Equity shareholders of the parent		2,953,830	2,698,597
Non-controlling interests		49,770	54,938
Profit for the period		3,003,600	2,753,535
Earnings per share (in RMB)	12		
— Basic		0.07	0.06
— Diluted		0.07	0.06

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period	3,003,600	2,753,535
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	8,194	(8)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	(63,980)	(23,218)
Income tax effect	15,995	5,766
Share of other comprehensive income of associates, after tax	(47,985)	(17,452)
Available-for-sale financial assets	484,111	(2,135,557)
Income tax effect	(121,028)	533,889
Available-for-sale financial assets, after tax	363,083	(1,601,668)
Exchange differences on translation of financial statements of foreign operations	4,556	1,014
Other comprehensive income for the period after tax	327,848	(1,618,114)
Total comprehensive income for the period	3,331,448	1,135,421
Attributable to:		
Equity shareholders of the parent	3,274,429	1,093,301
Non-controlling interests	57,019	42,120
Total comprehensive income for the period	3,331,448	1,135,421

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Assets			
Cash and short-term time deposits	13	18,363,500	16,833,425
Financial assets at fair value through profit or loss	14	7,903,189	4,232,310
Financial assets held under resale agreements		1,548,961	4,252,301
Premiums receivable	15	3,827,004	2,127,083
Reinsurance debtors	16	44,873,692	21,009,260
Reinsurers' share of insurance contract liabilities	25	5,579,161	4,892,663
Time deposits		5,237,189	13,505,066
Available-for-sale financial assets	17	71,986,356	56,244,050
Held-to-maturity investments	18	22,046,360	18,483,057
Investments classified as loans and receivables	19	27,411,328	25,893,884
Reinsurers' share of policy loans		414,996	365,622
Investment contracts receivable	20	37,333,393	124,343
Investments in associates	21	13,341,382	12,450,926
Statutory deposits	22	17,118,052	14,718,052
Investment properties		2,745,398	3,121,808
Property and equipment		2,585,396	2,547,472
Intangible assets		350,856	347,898
Goodwill		1,188,538	1,188,538
Deferred tax assets		962,013	838,155
Other assets	23	24,803,187	8,031,458
Total assets		309,619,951	211,207,371

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Liabilities and equity			
Liabilities			
Securities sold under agreements to repurchase		3,779,003	2,737,680
Reinsurance payables		13,335,280	12,217,369
Income tax payable		555,114	189,211
Policyholders' deposits		1,345,643	1,286,131
Investment contract liabilities	24	48,694,230	11,530,102
Insurance contract liabilities	25	126,566,266	95,180,594
Notes payable	26	10,038,233	—
Deferred tax liabilities		980,642	1,036,157
Other liabilities	27	30,894,799	14,890,274
Total liabilities		236,189,210	139,067,518
Equity			
Share capital	28	42,479,808	42,479,808
Reserves		13,560,292	13,241,223
Retained profits		16,375,652	15,460,852
Total equity attributable to equity shareholders of the parent		72,415,752	71,181,883
Non-controlling interests		1,014,989	957,970
Total equity		73,430,741	72,139,853
Total liabilities and equity		309,619,951	211,207,371

Approved and authorized for issuance by the board of directors on 28 August 2017.

Yuan Linjiang
Chairman

He Chunlei
Director

Yu Qing
Vice President, responsible for accounting

Tian Meipan
Chief Actuary

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent											Total equity	
	Reserves										Non-controlling interests		
	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal			
Note													
As at 1 January 2017 (Audited)		42,479,808	8,166,044	1,440,315	3,470,711	9,968	(2,773)	159,331	(2,373)	15,460,852	71,181,883	957,970	72,139,853
Changes in equity for the period													
Profit for the period		—	—	—	—	—	—	—	—	2,953,830	2,953,830	49,770	3,003,600
Other comprehensive income		—	—	—	—	—	8,194	307,849	4,556	—	320,599	7,249	327,848
Total comprehensive income		—	—	—	—	—	8,194	307,849	4,556	2,953,830	3,274,429	57,019	3,331,448
Distributions to shareholders	11	—	—	—	—	—	—	—	—	(2,039,030)	(2,039,030)	—	(2,039,030)
Others		—	(1,530)	—	—	—	—	—	—	—	(1,530)	—	(1,530)
As at 30 June 2017 (Unaudited)		42,479,808	8,164,514	1,440,315	3,470,711	9,968	5,421	467,180	2,183	16,375,652	72,415,752	1,014,989	73,430,741

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent																						
	Reserves											Non-controlling interests	Total equity										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal												
As at 1 January 2016 (Audited)	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											
Changes in equity for the period																							
Profit for the period	—	—	—	—	—	—	—	—	2,698,597	2,698,597	54,938	2,753,535											
Other comprehensive income	—	—	—	—	—	(8)	(1,606,302)	1,014	—	(1,605,296)	(12,818)	(1,618,114)											
Total comprehensive income	—	—	—	—	—	(8)	(1,606,302)	1,014	2,698,597	1,093,301	42,120	1,135,421											
Distributions to shareholders	11	—	—	—	—	—	—	—	(1,954,071)	(1,954,071)	—	(1,954,071)											
Others		—	(278)	—	—	—	—	—	—	(278)	—	(278)											
As at 30 June 2016 (Unaudited)	42,479,808	8,166,593	1,049,322	2,703,438	9,968	(7,455)	750,194	2,652	14,171,663	69,326,183	811,785	70,137,968											

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Operating activities		
Cash generated from operations	5,558,714	258,907
Income tax paid	(553,593)	(961,830)
Net cash flows generated from/(used in) operating activities	5,005,121	(702,923)
Investing activities		
Interests received	2,390,784	2,310,177
Dividends received	338,747	518,833
Purchases of property and equipment, investment properties and intangible assets	(158,267)	(153,052)
Proceeds from disposals of property and equipment, investment properties and intangible assets	1,232,942	2,297
Purchases of investments	(69,756,299)	(44,332,025)
Proceeds from disposals of investments	54,930,560	46,322,735
Disposals of associates	686,792	—
Investments in associates	(874,476)	(1,018,001)
Net cash flows (used in)/generated from investing activities	(11,209,217)	3,650,964

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	580,696	(758,019)
Payment for shares issuance costs	(1,198)	—
Proceeds from notes issued	10,248,099	—
Interests paid	(43,271)	(64,404)
Dividends paid to equity shareholders of the parent	—	(3,421,874)
Dividends paid by subsidiaries to non-controlling interests	—	(33,844)
Securities sold under agreements to repurchase, net	(1,670,042)	672,167
Net cash flows generated from/(used in) financing activities	9,114,284	(3,605,974)
Net increase/(decrease) in cash and cash equivalents	2,910,188	(657,933)
Cash and cash equivalents at the beginning of the period	16,670,213	19,872,898
Effect of foreign exchange rate changes	(262,320)	336,321
Cash and cash equivalents at the end of the period	19,318,081	19,551,286
Cash and short-term time deposits	18,363,500	19,793,841
Add: Financial assets held under resale agreements with original maturity of no more than three months	1,548,961	370,200
Less: Restricted cash and short-term time deposits	(594,380)	(612,755)
Cash and cash equivalents at the end of the period	19,318,081	19,551,286

The accompanying notes on pages 59 to 93 form part of the interim financial information.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

(b) Significant accounting policies

The accounting policies adopted in the preparation of the interim financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2016, except in relation to the following amendments.

These amendments to standards, which are relevant to the Group, became effective for the financial year beginning on or after 1 January 2017:

Amendments to IAS 12	Income taxes
Amendments to IAS 7	Statement of cash flows
Amendment to IFRS 12	Disclosure of interest in other entities

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies (continued)

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

The Group has not applied the following amendments to standards and new standards which have been issued but are not yet effective for the financial year beginning or after 1 January 2017 and which have not been early adopted by the Group:

IFRS 9	Financial Instruments (1)
IFRS 15	Revenue from Contracts with Customers (2)
IFRS 16	Leases (3)
IFRS 17	Insurance Contracts (4)
Amendment to IFRS1	First time adoption of IFRS (5)
Amendments to IFRS 4	Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (5)
Amendment to IAS 28	Investments in associates and joint ventures (5)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (5)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (6)

- (1) IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 becomes mandatory on 1 January 2018.

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

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

- (2) The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group assesses that adopting IFRS 15 would not have a material impact on the Group's financial information.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies (continued)

- (3) IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

- (4) IFRS 17, 'Insurance Contracts', was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is mandatory for financial years commencing on or after 1 January 2021.
- (5) Effective for the accounting period beginning on or after 1 January 2018.
- (6) Originally effective for the accounting period beginning on or after 1 January 2016. The effective date has now been deferred/removed.

Other than IFRS 15, the Group is in the process of assessing the impact of other new standards and amendments mentioned above.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2016, except for the below changes in accounting estimates regarding the determination of the insurance contract liabilities.

In determining insurance contract liabilities, assumptions such as discount rates, mortality and morbidity, surrender rates, and expense assumptions are applied to long term life and health reinsurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group changed the above assumptions based on current information available as at 30 June 2017 (mainly the risk free discount rate and surrender rate of certain products) and updated estimates for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current period's statement of profit or loss. As a result of such changes in assumptions, long term life and health reinsurance contracts liabilities were increased by RMB197 million as at 30 June 2017 and the profit before tax for the six months ended 30 June 2017 was decreased by RMB197 million.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

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

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

As the total income, net profit, assets and liabilities of operations outside Mainland China constitutes only around 1% of the consolidated amounts in the financial information, geographical segment 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 INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2017 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	13,320,597	36,611,765	18,700,677	—	—	(804,384)	67,828,655
Less: Premiums ceded to reinsurers and retrocessionaires	(356,354)	(1,161,357)	(1,599,075)	—	—	801,193	(2,315,593)
Net written premiums	12,964,243	35,450,408	17,101,602	—	—	(3,191)	65,513,062
Change in unearned premium reserves	(635,497)	(442,399)	(1,627,941)	—	—	19,408	(2,686,429)
Net premiums earned	12,328,746	35,008,009	15,473,661	—	—	16,217	62,826,633
Reinsurance commission income	35,426	165,367	528,757	—	—	(317,266)	412,284
Investment income	819,308	1,447,171	755,128	96,256	1,100,934	—	4,218,797
Exchange gains/(losses), net	87,860	18,667	(36,329)	(19,149)	(53,004)	311	(1,644)
Other income	13,026	86,117	86,611	167,078	181,429	(155,063)	379,198
Total income	13,284,366	36,725,331	16,807,828	244,185	1,229,359	(455,801)	67,835,268
— External income	12,599,433	36,725,274	17,194,249	139,879	1,176,433	—	67,835,268
— Inter-segment income	684,933	57	(386,421)	104,306	52,926	(455,801)	—
Claims and policyholders' benefits	(6,941,343)	(35,457,564)	(8,290,577)	—	—	474	(50,689,010)
— Claims incurred	(6,941,343)	(1,898,605)	(8,290,577)	—	—	474	(17,130,051)
— Life and health reinsurance death and other benefits paid	—	(6,205,495)	—	—	—	—	(6,205,495)
— Changes in long-term life and health reinsurance contract liabilities	—	(27,353,464)	—	—	—	—	(27,353,464)
Handling charges and commissions	(5,043,096)	(476,971)	(2,614,327)	—	—	320,356	(7,814,038)
Finance costs	(4,792)	(26,044)	(4,470)	(60,073)	(4,403)	—	(99,782)
Other operating and administrative expenses	(262,856)	(371,710)	(4,941,557)	(173,830)	(574,429)	152,283	(6,172,099)
Total benefits, claims and expenses	(12,252,087)	(36,332,289)	(15,850,931)	(233,903)	(578,832)	473,113	(64,774,929)
Share of profits of associates	13,211	466,013	940	(230)	349,624	(405)	829,153
Profit before tax	1,045,490	859,055	957,837	10,052	1,000,151	16,907	3,889,492
Income tax	(215,944)	(172,020)	(235,338)	(8,700)	(248,881)	(5,009)	(885,892)
Profit for the period	829,546	687,035	722,499	1,352	751,270	11,898	3,003,600

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2016 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	12,902,911	22,302,282	15,779,617	—	—	(645,036)	50,339,774
Less: Premiums ceded to reinsurers and retrocessionaires	(285,396)	(1,207,033)	(1,333,788)	—	—	645,270	(2,180,947)
Net written premiums	12,617,515	21,095,249	14,445,829	—	—	234	48,158,827
Change in unearned premium reserves	887,078	(316,062)	(1,050,473)	—	—	(25,195)	(504,652)
Net premiums earned	13,504,593	20,779,187	13,395,356	—	—	(24,961)	47,654,175
Reinsurance commission income	65,549	211,794	325,878	—	—	(152,528)	450,693
Investment income	874,362	1,385,864	471,948	15,534	445,428	(1,339)	3,191,797
Exchange gains/(losses), net	202,905	(4,677)	20,530	319	7,565	10,179	236,821
Other income	12,106	66,095	49,439	131,704	186,029	(125,663)	319,710
Total income	14,659,515	22,438,263	14,263,151	147,557	639,022	(294,312)	51,853,196
— External income	14,058,570	22,438,230	14,683,769	44,995	627,632	—	51,853,196
— Inter-segment income	600,945	33	(420,618)	102,562	11,390	(294,312)	—
Claims and policyholders' benefits	(8,132,406)	(22,343,023)	(7,024,053)	—	—	(16,266)	(37,515,748)
— Claims incurred	(8,132,406)	(1,526,817)	(7,024,053)	—	—	(16,266)	(16,699,542)
— Life and health reinsurance death and other benefits paid	—	(33,380,225)	—	—	—	—	(33,380,225)
— Changes in long-term life and health reinsurance contract liabilities	—	12,564,019	—	—	—	—	12,564,019
Handling charges and commissions	(5,146,160)	614,936	(1,847,381)	—	—	155,112	(6,223,493)
Finance costs	(1,338)	(54,000)	(5,310)	(50)	(12,780)	—	(73,478)
Other operating and administrative expenses	(212,794)	(257,350)	(4,388,566)	(139,816)	(445,857)	98,603	(5,345,780)
Total benefits, claims and expenses	(13,492,698)	(22,039,437)	(13,265,310)	(139,866)	(458,637)	237,449	(49,158,499)
Share of profits of associates	(5,531)	412,469	724	—	351,614	(2,173)	757,103
Profit before tax	1,161,286	811,295	998,565	7,691	531,999	(59,036)	3,451,800
Income tax	(185,770)	(172,379)	(224,766)	(448)	(118,952)	4,050	(698,265)
Profit for the period	975,516	638,916	773,799	7,243	413,047	(54,986)	2,753,535

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	30 June 2017 (Unaudited)							Total
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination		
Segment assets	62,381,178	167,598,930	45,095,467	12,053,433	55,247,141	(32,756,198)	309,619,951	
Segment liabilities	(42,871,137)	(145,307,099)	(30,725,434)	(10,418,635)	(9,993,152)	3,126,247	(236,189,210)	

	31 December 2016 (Audited)							Total
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination		
Segment assets	63,290,307	82,082,234	41,005,564	1,965,460	54,807,870	(31,944,064)	211,207,371	
Segment liabilities	(42,281,727)	(64,777,641)	(27,463,862)	(340,702)	(6,367,700)	2,164,114	(139,067,518)	

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Long-term life and health reinsurance	32,919,678	19,175,362
Short-term life and health reinsurance	3,692,031	3,126,920
Property and casualty reinsurance	12,579,384	12,332,952
Primary property and casualty insurance	18,637,562	15,704,540
Total	67,828,655	50,339,774

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS (continued)

(b) Premiums ceded to reinsurers and retrocessionaires

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Long-term life and health reinsurance	407,928	507,948
Short-term life and health reinsurance	753,430	699,085
Property and casualty reinsurance	378,409	310,078
Primary property and casualty insurance	775,826	663,836
Total	2,315,593	2,180,947

(c) Net written premiums

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net written premiums	65,513,062	48,158,827

6 INVESTMENT INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest, dividend and rental income (a)	3,207,415	3,540,769
Realised gains/ (losses) (b)	1,018,420	(532,856)
Unrealised gains (c)	152,034	32,858
Negative goodwill arising from investments in associates	319,094	411,984
Impairment losses (d)	(478,166)	(260,958)
Total	4,218,797	3,191,797

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME (continued)

(a) Interest, dividend and rental income

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Interest income		
Current and time deposits	607,169	1,133,035
Debt securities		
— Held-to-maturity	486,050	479,345
— Available-for-sale	781,531	657,238
— Carried at fair value through profit or loss	9,832	10,529
— Loans and receivables	860,639	530,008
Financial assets held under resale agreements	27,608	18,980
Reinsurers' share of policy loans	3,778	376
Subtotal	2,776,607	2,829,511
Dividend income		
Equity securities		
— Available-for-sale	311,027	581,507
— Carried at fair value through profit or loss	97,526	106,836
Subtotal	408,553	688,343
Rental income from investment properties	22,255	22,915
Total	3,207,415	3,540,769

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME (continued)

(b) Realised gains/(losses)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Debt securities		
— Available-for-sale	(2,390)	38,533
— Carried at fair value through profit or loss	182	1,021
Equity securities		
— Available-for-sale	375,243	(446,291)
— Carried at fair value through profit or loss	62,444	(126,119)
— Investments in associates	(143,787)	—
Disposal of Investment properties	726,728	—
Total	1,018,420	(532,856)

(c) Unrealised gains

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Debt securities		
— Carried at fair value through profit or loss	(4,858)	(6,902)
Equity securities		
— Carried at fair value through profit or loss	156,892	39,760
Total	152,034	32,858

(d) Impairment losses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Equity securities		
— Available-for-sale	(478,166)	(260,958)
Total	(478,166)	(260,958)

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

7 CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2017 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	17,949,296	(819,245)	17,130,051
— Short-term life and health reinsurance	2,348,338	(449,733)	1,898,605
— Property and casualty reinsurance	6,660,162	(19,105)	6,641,057
— Primary property and casualty insurance	8,940,796	(350,407)	8,590,389
Life and health reinsurance death and other benefits paid	6,302,211	(96,716)	6,205,495
Changes in long-term life and health reinsurance contract liabilities	27,711,466	(358,002)	27,353,464
Total	51,962,973	(1,273,963)	50,689,010
	Six months ended 30 June 2016 (Unaudited)		
	Gross	Ceded	Net
Claims incurred	17,392,985	(693,443)	16,699,542
— Short-term life and health reinsurance	1,863,596	(336,779)	1,526,817
— Property and casualty reinsurance	8,262,964	(46,005)	8,216,959
— Primary property and casualty insurance	7,266,425	(310,659)	6,955,766
Life and health reinsurance death and other benefits paid	35,062,134	(1,681,909)	33,380,225
Changes in long-term life and health reinsurance contract liabilities	(13,683,310)	1,119,291	(12,564,019)
Total	38,771,809	(1,256,061)	37,515,748

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Employee costs	1,726,306	1,717,594
Advertising and promotion expenses	1,489,711	974,239
Official and travel expenses	337,909	399,467
Taxes and surcharges	324,609	622,247
Interest expenses of policyholders' deposits and investment contracts liability	214,649	88,905
Rental expenses	200,552	183,754
Consultation fee	189,699	115,599
Insurance guarantee fund	146,042	123,918
Depreciation and amortisation	123,281	163,523
Impairment losses charges/(reversals)	43,548	(125,066)
Regulatory fees	25,514	37,270
Others	1,350,279	1,044,330
Total	6,172,099	5,345,780

9 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Employee costs (including directors' and supervisors' emoluments) (note)	2,051,871	2,017,678
Depreciation of property and equipment (note)	117,070	110,694
Depreciation of investment properties (note)	10,903	57,469
Amortisation of intangible assets (note)	21,867	26,145
Rental expenses (note)	232,832	214,459
Impairment losses on available-for-sale financial assets	478,166	260,958
Impairment losses on premiums receivable	38,329	29,526
Impairment losses on reinsurance debtors	5,219	17,773
Impairment reversal on other assets	—	(172,365)

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 INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INCOME TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Current income tax		
Charge for the period	1,180,416	860,476
Adjustments in respect of prior years	(3,699)	59,287
Deferred income tax	(290,825)	(221,498)
Total	885,892	698,265

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 25%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

11 DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
In respect of previous year:		
2016 final dividend declared in 2017: RMB0.048 per ordinary share	2,039,030	
2015 final dividend declared in 2016: RMB0.046 per ordinary share		1,954,071

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares in issue for the six months ended 30 June 2017 and the six months ended 30 June 2016 as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net profit attributable to the equity shareholders of the parent	2,953,830	2,698,597
Weighted average number of ordinary shares (in thousands)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.07	0.06

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2017 and the six months ended 30 June 2016, so the diluted earnings per share were the same as the basic earnings per share.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

13 CASH AND SHORT-TERM TIME DEPOSITS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash at banks and on hand	11,880,907	14,268,691
Time deposits with original maturity of no more than three months	6,049,747	2,251,233
Other monetary deposits	432,846	313,501
Total	18,363,500	16,833,425

As at 30 June 2017, cash and short-term time deposits of RMB594,380 thousand (31 December 2016: RMB4,415,513 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Listed		
Debt securities		
Corporate bonds	19,703	2,561
Equity securities		
Stocks	637,048	856,867
Sub-total	656,751	859,428
Unlisted		
Debt securities		
Government bonds	19,238	19,412
Financial bonds	366,300	371,700
Equity securities		
Investment funds	2,886,238	2,944,079
Derivative instruments	143,649	37,691
Asset management products	3,831,013	—
Sub-total	7,246,438	3,372,882
Total	7,903,189	4,232,310

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

15 PREMIUMS RECEIVABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Premiums receivable	3,955,149	2,216,899
Less: impairment provision	(128,145)	(89,816)
Premiums receivable, net	3,827,004	2,127,083

(a) Aging analysis

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months (inclusive)	3,582,637	1,948,195
3 months to 1 year (inclusive)	251,165	181,119
1 to 2 years (inclusive)	68,501	39,491
Over 2 years	52,846	48,094
Total	3,955,149	2,216,899
Less: impairment provision	(128,145)	(89,816)
Net	3,827,004	2,127,083

(b) Impairment provision of premiums receivable

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
At the beginning of the period	89,816	68,588
Charge for the period	38,329	29,526
Written off	—	(843)
At the end of the period	128,145	97,271

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

16 REINSURANCE DEBTORS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Reinsurance debtors	45,000,562	21,132,605
Less: impairment provision	(126,870)	(123,345)
Reinsurance debtors, net	44,873,692	21,009,260

(a) Aging analysis

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months (inclusive)	42,850,211	19,466,513
3 months to 1 year (inclusive)	1,832,936	1,460,254
1 to 2 years (inclusive)	120,559	40,709
Over 2 years	196,856	165,129
Total	45,000,562	21,132,605
Less: impairment provision	(126,870)	(123,345)
Net	44,873,692	21,009,260

(b) Impairment provision of reinsurance debtors

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
At the beginning of the period	123,345	96,117
Charge for the period	5,219	17,773
Exchange difference	(1,694)	1,267
At the end of the period	126,870	115,157

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Listed		
Debt securities		
Government bonds	205,919	—
Financial bonds	2,598	2,651
Corporate bonds	8,456,782	7,159,981
Subordinated bonds	501,350	504,611
Equity securities		
Investment funds	210,883	399,114
Stocks	13,678,942	11,919,562
Sub-total	23,056,474	19,985,919
Unlisted		
Debt securities		
Government bonds	288,455	704
Financial bonds	13,419,814	9,734,618
Corporate bonds	18,346,487	11,784,653
Subordinated bonds	789,494	804,194
Equity securities		
Investment funds	12,704,438	11,182,331
Equity shares	1,381,416	1,375,922
Other	1,999,778	1,375,709
Sub-total	48,929,882	36,258,131
Total	71,986,356	56,244,050

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

18 HELD-TO-MATURITY INVESTMENTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Listed		
Government bonds	101,246	13,437
Corporate bonds	5,372,184	4,573,231
Sub-total	5,473,430	4,586,668
Unlisted		
Government bonds	109,910	109,657
Financial bonds	1,189,883	1,190,167
Corporate bonds	8,036,588	5,360,361
Subordinated bonds	7,236,549	7,236,204
Sub-total	16,572,930	13,896,389
Total	22,046,360	18,483,057

19 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Debt investment schemes	23,467,114	22,013,884
Trust schemes	2,744,214	2,680,000
Subordinated debts	1,200,000	1,200,000
Total	27,411,328	25,893,884

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

20 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2016 (Audited)	Additions	Payments, surrenders, recaptures, others	30 June 2017 (Unaudited)
Investment contracts receivable	124,343	38,344,034	(1,134,984)	37,333,393

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.

21 INVESTMENTS IN ASSOCIATES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Share of net assets		
— Listed shares (i)	12,918,521	12,152,453
— Unlisted shares	422,861	298,473
Total	13,341,382	12,450,926

(i) As at 30 June 2017, the Group held an aggregate interest in China Everbright Bank of 4.93% (31 December 2016: 4.91%).

22 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 and Consultant Service Ltd. (“Huatai Insurance Agency”) should place 20% of its issued capital as restricted statutory deposits respectively.

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
The Company	10,300,000	8,500,000
China Re P&C	3,500,000	2,300,000
China Re Life	1,650,000	1,750,000
China Continent Insurance	1,667,027	2,167,027
Huatai Insurance Agency	1,025	1,025
Total	17,118,052	14,718,052

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Investment contract assets	16,950,121	—
Interest receivables	2,879,556	2,493,734
Deposits retained by other parties	2,992,600	3,481,292
Deferred expenses	373,479	619,735
Claims prepaid	358,897	309,887
Dividends receivable	347,835	11,963
Subscription prepayment for securities and securities clearance	108,010	320,874
Others	812,961	813,994
Total	24,823,459	8,051,479
Less: impairment provision	(20,272)	(20,021)
Net	24,803,187	8,031,458

24 INVESTMENT CONTRACT LIABILITIES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
At the beginning of the period	11,530,102	118,992,978
Additions	38,344,034	7,147,038
Payments, surrenders, recaptures	(2,073,027)	(116,254,130)
Fees charged/(deducted)	710,747	(147,902)
Interest credited	182,374	228,432
At the end of the period	48,694,230	9,966,416

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INSURANCE CONTRACT LIABILITIES

	30 June 2017 (Unaudited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	64,777,307	(1,794,911)	62,982,396
Short-term life and health reinsurance contracts			
— Claim reserves	4,017,314	(1,313,918)	2,703,396
— Unearned premium reserves	2,431,229	(361,218)	2,070,011
Property and casualty reinsurance contracts			
— Claim reserves	24,268,726	(349,440)	23,919,286
— Unearned premium reserves	8,367,360	(235,187)	8,132,173
Primary property and casualty insurance contracts			
— Claim reserves	8,423,947	(998,113)	7,425,834
— Unearned premium reserves	14,280,383	(526,374)	13,754,009
Total insurance contract liabilities	126,566,266	(5,579,161)	120,987,105
	31 December 2016 (Audited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	37,164,312	(1,436,909)	35,727,403
Short-term life and health reinsurance contracts			
— Claim reserves	3,588,243	(1,335,778)	2,252,465
— Unearned premium reserves	1,832,387	(204,758)	1,627,629
Property and casualty reinsurance contracts			
— Claim reserves	24,862,557	(422,278)	24,440,279
— Unearned premium reserves	7,793,411	(188,739)	7,604,672
Primary property and casualty insurance contracts			
— Claim reserves	7,498,552	(917,490)	6,581,062
— Unearned premium reserves	12,441,132	(386,711)	12,054,421
Total insurance contract liabilities	95,180,594	(4,892,663)	90,287,931

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

26 NOTES PAYABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Notes payable	10,038,233	—

The Group issued notes in aggregate principal amounts of US\$800,000,000 on 9 March 2017 and US\$700,000,000 on 30 June 2017 respectively. The notes carry a fixed interest yield of 3.375% per annum. The two tranches of notes are consolidated and form a single series. Unless earlier redeemed in accordance with the terms thereof, the notes will mature on 9 March 2022 at their principal amounts. The net proceeds from the issue of the notes will be used for general corporate purposes and investments in offshore projects.

27 OTHER LIABILITIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Investment contracts payable	17,035,017	150,724
Payable to third party investors of consolidated structured entities	4,595,607	3,889,856
Dividends payable	2,040,256	—
Premiums received in advance	1,939,548	1,853,191
Salaries and welfare payable	1,071,617	1,360,055
Handling charges and commissions payable	632,929	575,467
Securities clearance payable	333,597	4,245,452
Taxes payable	453,296	296,804
Deposits from cedants	306,998	315,897
Unallocated cash	224,189	463,592
Defined benefit obligation	115,681	124,203
Claims payable	99,981	95,044
Insurance guarantee fund payable	82,597	95,476
Other	1,963,486	1,424,513
Total	30,894,799	14,890,274

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

28 SHARE CAPITAL

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Issued and fully paid ordinary shares of RMB 1 each (in thousand shares)		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
Total	42,479,808	42,479,808

29 RISK MANAGEMENT

(1) Insurance risk

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

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

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

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

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

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

29 RISK MANAGEMENT (continued)

(1) Insurance risk (continued)

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

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

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

When measuring insurance contract reserves, the risk margin has been considered and measured at the 75% percentile 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.

(b) Assumptions 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, premiums and related expenses, etc. are reflected through risk margin.

Residual margin related to life and health insurance contract reserves is amortised during the expected benefit period using assumptions as at policy inception, including discount rates, incident rates, lapse rates and expenses assumptions.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

29 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, premiums receivable 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, etc. 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 interim condensed consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 33, 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 balance sheet date is disclosed in Note 33.

(b) Market risk

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

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

(i) Interest rate risk

The Group's interest rate risk arises primarily from 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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

29 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(b) Market risk (continued)

(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.

(iii) Price risk

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

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

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

(c) Liquidity risk

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

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

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

29 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	30 June 2017 (Unaudited)						Carrying amount
	No stated maturity	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Assets:							
Cash and short-term time deposits	—	18,366,359	—	—	—	18,366,359	18,363,500
Debt securities carried at fair value through profit or loss	—	22,638	379,837	112	18,791	421,378	405,241
Equity securities carried at fair value through profit or loss	7,497,948	—	—	—	—	7,497,948	7,497,948
Financial assets held under resale agreements	—	1,550,151	—	—	—	1,550,151	1,548,961
Premiums receivable	—	3,827,004	—	—	—	3,827,004	3,827,004
Reinsurance debtors	—	44,063,645	866,277	—	—	44,929,922	44,873,692
Reinsurers' share of insurance contract liabilities	—	3,329,534	708,167	963,698	326,988	5,328,387	5,579,161
Time deposits	—	5,367,449	—	—	—	5,367,449	5,237,189
Available-for-sale debt securities	—	7,856,899	6,552,238	22,268,457	14,099,434	50,777,028	42,010,899
Available-for-sale equity securities	29,974,457	—	—	1,000	—	29,975,457	29,975,457
Held-to-maturity investments	—	806,192	1,902,597	7,736,950	22,458,730	32,904,469	22,046,360
Investments classified as loans and receivables	—	2,111,272	5,737,524	7,403,392	28,039,747	43,291,935	27,411,328
Reinsurers' share of policy loans	—	414,996	—	—	—	414,996	414,996
Investment contracts receivable	—	37,333,393	—	—	—	37,333,393	37,333,393
Statutory deposits	—	6,589,475	5,063,751	6,596,426	—	18,249,652	17,118,052
Other financial assets	—	8,965,580	4,996,113	7,362,644	12,760,919	34,085,256	24,070,811
Total	37,472,405	140,604,587	26,206,504	52,332,679	77,704,609	334,320,784	287,713,992
Liabilities:							
Securities sold under agreements to repurchase	—	3,783,043	—	—	—	3,783,043	3,779,003
Reinsurance payables	—	13,135,482	128,448	71,350	—	13,335,280	13,335,280
Income tax payable	—	555,114	—	—	—	555,114	555,114
Policyholders' deposits	—	1,226,139	119,504	—	—	1,345,643	1,345,643
Investment contract liabilities	—	7,277,190	13,109,688	18,221,565	37,388,148	75,996,591	48,694,230
Insurance contract liabilities	—	46,777,488	20,271,169	38,248,440	34,632,178	139,929,275	126,566,266
Notes payable	—	342,954	342,954	11,190,462	—	11,876,370	10,038,233
Other financial liabilities	—	25,166,048	677,640	938,567	5,987,955	32,770,210	28,955,250
Total	—	98,263,458	34,649,403	68,670,384	78,008,281	279,591,526	233,269,019

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

29 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	31 December 2016 (Audited)						Carrying amount
	No stated maturity	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Assets:							
Cash and short-term time deposits	—	16,833,425	—	—	—	16,833,425	16,833,425
Debt securities carried at fair value through profit or loss	—	12,849	399,721	2,521	—	415,091	393,673
Equity securities carried at fair value through profit or loss	3,838,637	—	—	—	—	3,838,637	3,838,637
Financial assets held under resale agreements	—	4,254,396	—	—	—	4,254,396	4,252,301
Premiums receivable	—	2,127,083	—	—	—	2,127,083	2,127,083
Reinsurance debtors	—	19,724,431	1,386,390	—	—	21,110,821	21,009,260
Reinsurers' share of insurance contract liabilities	—	3,571,272	767,984	546,518	36,381	4,922,155	4,892,663
Time deposits	—	12,333,758	1,506,625	—	—	13,840,383	13,505,066
Available-for-sale debt securities	—	5,286,889	7,439,222	11,785,584	10,578,434	35,090,129	29,991,412
Available-for-sale equity securities	26,252,638	—	—	—	—	26,252,638	26,252,638
Held-to-maturity investments	—	858,101	953,992	4,801,211	22,226,504	28,839,808	18,483,057
Investments classified as loan and receivables	—	2,273,426	4,318,701	10,596,050	22,986,659	40,174,836	25,893,884
Reinsurers' share of policy loans	—	365,622	—	—	—	365,622	365,622
Investment contracts receivable	—	124,343	—	—	—	124,343	124,343
Statutory deposits	—	7,338,185	3,210,301	5,081,247	—	15,629,733	14,718,052
Other financial assets	—	5,371,125	59,016	1,663,813	—	7,093,954	7,093,954
Total	30,091,275	80,474,905	20,041,952	34,476,944	55,827,978	220,913,054	189,775,070
Liabilities:							
Securities sold under agreements to repurchase	—	2,739,190	—	—	—	2,739,190	2,737,680
Reinsurance payables	—	11,772,414	—	444,955	—	12,217,369	12,217,369
Income tax payable	—	189,211	—	—	—	189,211	189,211
Policyholders' deposits	—	1,240,777	43,757	1,597	—	1,286,131	1,286,131
Investment contract liabilities	—	285,022	808,163	5,193,979	11,255,597	17,542,761	11,530,102
Insurance contract liabilities	—	47,619,770	14,417,040	15,455,683	24,871,547	102,364,040	95,180,594
Other financial liabilities	—	8,891,604	112,845	591,673	3,440,962	13,037,084	13,037,083
Total	—	72,737,988	15,381,805	21,687,887	39,568,106	149,375,786	136,178,170

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

30 FAIR VALUE MEASUREMENT

(1) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at 30 June 2017 on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

(Unaudited)	Fair value as at 30 June 2017	Fair value measurements as at 30 June 2017 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	405,241	—	405,241	—
— Equity securities	7,497,948	3,400,509	3,953,790	143,649
Available-for-sale financial assets				
— Debt securities	42,010,899	581,253	41,429,646	—
— Equity securities	29,975,457	23,863,171	568,090	5,544,196
Total	79,889,545	27,844,933	46,356,767	5,687,845

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

30 FAIR VALUE MEASUREMENT (continued)

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

(Audited)	Fair value as at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	393,673	2,561	391,112	—
— Equity securities	3,838,637	3,636,081	164,865	37,691
Available-for-sale financial assets				
— Debt securities	29,991,412	1,920,341	28,071,071	—
— Equity securities	26,252,638	21,432,983	441,419	4,378,236
Total	60,476,360	26,991,966	29,068,467	4,415,927

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

(Unaudited)	Available-for-sale financial assets	Financial assets at fair value through profit or loss
At 1 January 2017	4,378,236	37,691
Additions	1,089,220	—
Settlements	(220,000)	—
Fair value changes	296,740	105,958
At 30 June 2017	5,544,196	143,649

Valuation techniques and inputs used in Level 2 fair value measurements

As at 30 June 2017, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilize a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. As at 30 June 2017, the Group transferred securities of RMB581 million (31 December 2016: RMB301 million) from Level 1 to Level 2 and transferred securities of RMB86 million (31 December 2016: RMB36 million) from Level 2 to Level 1.

During the six months ended 30 June 2017 and the six months ended 30 June 2016, the Group did not have any assets transferred between fair value hierarchy Level 2 and Level 3.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

30 FAIR VALUE MEASUREMENT (continued)

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2017 except for the following financial instruments, for which their carrying amounts, fair value and the level of fair value hierarchy are disclosed below:

(Unaudited)	30 June 2017		30 June 2017		
	Carrying amount	Fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
Held-to-maturity financial assets	22,046,360	22,740,983	—	22,740,983	—

(Audited)	31 December 2016		31 December 2016		
	Carrying amount	Fair value	The fair value hierarchy		
			Level 1	Level 2	Level 3
Held-to-maturity financial assets	18,483,057	19,662,193	303,701	19,358,492	—

The fair values of the financial assets included in the level 2 category 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.

The fair values of investments classified as loans and receivables are considered approximate to their carrying values recognised in these condensed consolidated financial information.

31 CAPITAL MANAGEMENT

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

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

32 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) **Ultimate parent**

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

(2) **Significant related parties**

Name of related party	Relationship with the Company
China Everbright Bank	Associate

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

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Interest income	54,610	137,307
Premium income	3,210	3,542
Claims payments	(893)	(42)
Fees and commissions	(62)	(195)

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

	30 June	31 December
	2017 (Unaudited)	2016 (Audited)
Cash and short-term time deposits	29,663	65,417
Time deposits	800,000	1,000,000
Statutory deposits	225,444	225,444
Interest receivables	37,483	79,135
Dividends receivable	223,397	—
Debt investments	1,018,880	998,897

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

32 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

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

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

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

As at 30 June 2017 and 31 December 2016, most of bank deposits of the Group were in state-owned banks, and the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the six months ended 30 June 2017, a large portion of the reinsurance business of the Group was with state-owned insurance companies.

33 CONTINGENCIES

As at 30 June 2017, the Group has issued the following guarantees:

- (1) As at 30 June 2017, the Group provided maritime guarantee of RMB2,245 million (31 December 2016: RMB2,258 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 30 June 2017, the Company provided letter of credit to Lloyd’s to support China Re Syndicate 2088’s underwriting business of GBP110 million (31 December 2016: GBP90 million).

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

34 COMMITMENTS

(1) Capital commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Contracted for		
— Intangible assets commitments	46,501	9,261
— Property and equipment commitments	3,959	976
— Investment commitments	626,758	714,163
Authorised but not contracted for		
— Investment commitments	89,922	198,055
Total	767,140	922,455

(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 are summarised as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	303,702	319,620
1 to 2 years	187,395	191,100
2 to 3 years	126,436	124,282
3 to 5 years	127,344	133,691
Over 5 years	77,956	88,439
Total	822,833	857,132

35 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board of Directors on 28 August 2017.

DEFINITIONS

“Beijing Platform”	Overseas P&C reinsurance business platform operated by China Re P&C, which conducts overseas P&C reinsurance business off shore and manages the overseas legacy P&C reinsurance business on behalf of the Group Company as well
“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second generation insurance solvency regulation system
“China” or “PRC”	the People’s Republic of China and, for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” or the “PRC” do not include Hong Kong, Macau and Taiwan
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003
“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 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
“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會)
“CNIP”	China Nuclear Insurance Pool

DEFINITIONS

“Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險 (集團) 股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “China Re Group” or “we”	the Company and its subsidiaries (except where the context requires otherwise)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Hong Kong Listing Rules
“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
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	the period from 1 January 2017 to 30 June 2017
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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

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

Hong Kong Stock Exchange

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, Wan Chai, Hong Kong

WEBSITE

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INVESTOR RELATIONS DEPARTMENT

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LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

SECRETARY TO THE BOARD¹

Ms. Zhu Xiaoyun

AUTHORISED REPRESENTATIVES

Mr. He Chunlei
Ms. Ng Sau Mei

JOINT COMPANY SECRETARIES¹

Ms. Zhu Xiaoyun
Ms. Ng Sau Mei

AUDITORS

Domestic auditor:
PricewaterhouseCoopers Zhong Tian LLP

Overseas auditor:
PricewaterhouseCoopers

ACTUARIAL CONSULTANT

Ernst & Young (China) Advisory Limited

HONG KONG LEGAL ADVISER

Clifford Chance

COMPLIANCE ADVISER²

China International Capital Corporation
Hong Kong Securities Limited

UNIFIED SOCIAL CREDIT CODE

9110000010002371XD

- Notes: 1. Due to change of work commitment, Ms. Yu Qing ceased to be the Joint Company Secretary and the Authorised Representative from 27 April 2017, and ceased to be the Board Secretary from 22 June 2017. Ms. Mok Ming Wai ceased to be the Joint Company Secretary from 27 April 2017.
2. Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, China International Capital Corporation Hong Kong Securities Limited had been the Compliance Adviser from the listing date (i.e. 26 October 2015) to 27 April 2017. On 27 April 2017, the service period of the Compliance Adviser expired and the Company no longer appointed Compliance Adviser.

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