



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

(A joint stock limited company incorporated in the People's Republic of China)
Stock Code : 1508

專業 讓保險更保險
Empower your insurance by expertise



2016 Interim Report

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FINANCIAL HIGHLIGHTS

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

	As at 30 June 2016	As at 31 December 2015	% Change
Total assets	214,179	328,993	(34.9)
Total liabilities	144,041	258,036	(44.2)
Total equity	70,138	70,957	(1.2)
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.63	1.65	(1.2)
	For the six months ended 30 June		
	2016	2015	% Change
Gross written premiums	50,340	43,048	16.9
Net profit	2,754	6,682	(58.8)
Net profit attributable to equity shareholders of the parent company	2,699	6,578	(59.0)
Earnings per share (RMB)	0.06	0.18	(64.8)
Weighted average return on equity (% unannualized) ¹	3.87	11.65	Decrease of 7.78 percentage points

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is primarily engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management businesses. We operate our domestic P&C reinsurance business primarily through our wholly-owned subsidiary China Re P&C, our life and health reinsurance business primarily through our wholly-owned subsidiary China Re Life, and our primary P&C insurance business through China Continent Insurance, in which the Group Company holds approximately 93.18% equity interest. We manage our insurance funds in a centralised and professional manner primarily through China Re AMC, which is jointly owned by the Group Company, China Re P&C, China Re Life and China Continent Insurance for 100% equity interest. In addition, the Group Company engages in CNIP business, operates overseas P&C reinsurance business and the domestic and overseas legacy P&C reinsurance business through China Re P&C and operates the domestic legacy life and health reinsurance through China Re Life. We conduct our Lloyd's business through China Re Syndicate 2088, a syndicate at Lloyd's. As a new platform for overseas P&C reinsurance business, our Singapore Branch was authorized by the Monetary Authority of Singapore on 3 June 2016 and publicly opened on 25 July 2016.

Key Operating Data

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

Unit: in RMB millions, except for percentages

	For the six months ended 30 June	
	2016	2015
Gross written premiums	50,340	43,048
Gross written premiums by business segment:		
P&C reinsurance ¹	12,903	14,813
Life and health reinsurance ¹	22,302	15,543
Primary P&C insurance ¹	15,780	13,291
Total investment yield (% , unannualized)	2.38	6.95

Note: 1. Before inter-segment eliminations.

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2016		As at 31 December 2015	
	Core solvency adequacy ratio	Aggregated solvency adequacy ratio	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
China Re Group (%)	281	281	329	329
Group Company (%)	769	769	1,001	1,001
China Re P&C (%)	215	215	220	220
China Re Life (%)	289	289	313	313
China Continent Insurance (%)	262	262	216	216

Note: Core solvency adequacy ratio and aggregated solvency adequacy ratio are calculated based on the requirements under C-ROSS.

Unit: in RMB millions

	As at 30 June 2016	As at 31 December 2015
Embedded value of life and health reinsurance business	16,465	16,248
Value of one year's new business of life and health reinsurance	1,008	934

In the first half of 2016, the Group was committed to “Promoting Development with Innovation” and achieved a satisfactory result in insurance and reinsurance business in general with stable and improved performance. Impacted by soft capital market, our investment income decreased as compared with that of the first half of last year. In the first half of 2016, gross written premiums of the Group increased by 16.9%, from RMB43,048 million in the first half of 2015 to RMB50,340 million, of which gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB12,903 million, RMB22,302 million and RMB15,780 million, respectively. Our core reinsurance business maintained a stable market position, and we continued to have the leading Market Share in terms of Premiums Ceded in the PRC P&C reinsurance market and life and health reinsurance market. In terms of original premium income, we ranked No.6 in the primary P&C insurance market in the PRC, with 3.4% market share in the first half of 2016. Our total investment yield (unannualized) was 2.38%. During the Reporting Period, we maintained a rating of “A (Excellent)” by A.M. Best and “A+” by Standard & Poor’s.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Indicators

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

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

	For the six months ended 30 June	
	2016	2015
Gross written premiums	50,340	43,048
Profit before tax	3,452	8,739
Net profit	2,754	6,682
Net profit attributable to equity shareholders of the parent company	2,699	6,578
Earnings per share (RMB)	0.06	0.18
Weighted average return on equity (% , unannualized) ¹	3.87	11.65

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

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

	As at	As at
	30 June 2016	31 December 2015
Total assets	214,179	328,993
Total liabilities	144,041	258,036
Total equity	70,138	70,957
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.63	1.65

In the first half of 2016, as part of our life and health financial reinsurance business was terminated due to the implementation of C-ROSS, the Group's total assets and liabilities decreased as compared with those as at the end of 2015. Due to the impacts of dividend distribution and other factors, total equity decreased by 1.2% from RMB70,957 million as at 31 December 2015 to RMB70,138 million as at 30 June 2016; net assets per share attributable to equity shareholders of the parent company decreased by 1.2% from RMB1.65 as at 31 December 2015 to RMB1.63 as at 30 June 2016. Impacted by year-on-year decrease in investment income, net profit of the Group decreased by 58.8% from RMB6,682 million in the first half of 2015 to RMB2,754 million in the first half of 2016, and net profit attributable to equity shareholders of the parent company decreased by 59.0% from RMB6,578 million in the first half of 2015 to RMB2,699 million in the first half of 2016. Weighted average return on equity of the Group (unannualized) decreased by 7.78 percentage points from 11.65% in the first half of 2015 to 3.87% in the first half of 2016; earnings per share decreased by 64.8% from RMB0.18 in the first half of 2015 to RMB0.06 in the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

P&C REINSURANCE

Our businesses of the P&C reinsurance segment mainly include domestic P&C reinsurance business, international P&C reinsurance business, Lloyd's business, CNIP business and legacy P&C reinsurance business. In the first half of 2016, reinsurance premium income from our P&C reinsurance segment was RMB12,903 million, representing 25.3% of gross written premiums of the Group for the same period (before inter-segment eliminations). In the first half of 2016, net profit for our P&C reinsurance segment was RMB975 million. The combined ratio, expense ratio and loss ratio were 99.0%, 38.8% and 60.2%, respectively. Weighted average return on equity (unannualized) of the P&C reinsurance segment was 5.23%.

Business Analysis

Domestic P&C Reinsurance Business

Overview

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C, our wholly-owned subsidiary. In the first half of 2016, we adhered to our operation strategy of “Steady Operation, Innovation and Transformation, Strict Risk Control and Quality and Efficiency Improvement”. Based on our scientific market analysis, we spared no efforts on business improvement and proactively adapted to the significant changes of business structure of reinsurance market in China. Through above methods and further enhancing risk control, our operation results were in line with expectation. In the first half of 2016, reinsurance premium income from our domestic P&C reinsurance business was RMB11,328 million, representing a year-on-year decrease of 15.1% and accounting for 87.8% of reinsurance premium income from our P&C reinsurance business segment for the same period. The combined ratio, expense ratio and loss ratio of the domestic P&C reinsurance segment were 99.5%, 40.3% and 59.2%, respectively.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consists of treaty reinsurance and proportional reinsurance, which is generally in line with the business structure in the domestic P&C reinsurance market. As compared with the first half of 2015, facultative reinsurance business recorded a growth of RMB117 million. In terms of business channels, by virtue of our good cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis, similar to the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: in RMB millions, except for percentages

Reinsurance arrangement	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	11,106	98.0%	13,233	99.2%
Facultative reinsurance	222	2.0%	105	0.8%
Total	11,328	100.0%	13,338	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			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	11,131	98.3%	13,199	99.0%
Non-proportional reinsurance	197	1.7%	139	1.0%
Total	11,328	100.0%	13,338	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			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Direct	10,938	96.6%	12,941	97.0%
Via Broker	390	3.4%	397	3.0%
Total	11,328	100.0%	13,338	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 classes 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			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Motor	4,819	42.5%	7,308	54.8%
Commercial and household property	2,344	20.7%	2,198	16.5%
Agriculture	1,860	16.4%	1,532	11.5%
Liability	935	8.3%	817	6.1%
Engineering	482	4.3%	554	4.2%
Others ¹	888	7.8%	929	6.9%
Total	11,328	100.0%	13,338	100.0%

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

Motor reinsurance. In the first half of 2016, impacted by the implementation of C-ROSS, reinsurance ratio of motor insurance in domestic P&C insurance market declined in general. During the Reporting Period, the reinsurance premium income from motor insurance line amounted to RMB4,819 million, representing a year-on-year decrease of 34.1% and accounting for 42.5% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

Commercial and household property reinsurance. In the first half of 2016, we put more efforts in property reinsurance and recorded the reinsurance premium income from commercial and household property insurance line of RMB2,344 million during the Reporting Period, representing a year-on-year increase of 6.6% and accounting for 20.7% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Agriculture reinsurance. In the first half of 2016, we expanded our business by seizing the opportunity for developing agriculture insurance. During the Reporting Period, we recorded the reinsurance premium income from agriculture insurance line of RMB1,860 million, representing a year-on-year increase of 21.4% and accounting for 16.4% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

Liability reinsurance. In the first half of 2016, we put more effort into the development of liability reinsurance. During the Reporting Period, we recorded the reinsurance premium income from liability insurance line of RMB935 million, representing a year-on-year increase of 14.4% and accounting for 8.3% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

Engineering reinsurance. In the first half of 2016, the large-scale state investment reduced and the original premium base of engineering insurance was relatively small. During the Reporting Period, we recorded the reinsurance premium income from engineering insurance line of RMB482 million, representing a year-on-year decrease of 13.0% and accounting for 4.3% of the reinsurance premium income from domestic P&C reinsurance business for the same period.

Clients and client services

In the first half of 2016, we continued to maintain good client relationship and covered 91% of primary P&C insurance companies in the PRC. We have established long-term stable relationship with major primary insurance companies in the PRC and strengthened our relationship through business cooperation, exchange of technical know-how and client services.

International P&C Reinsurance Business

International P&C reinsurance business mentioned in this section refers to overseas P&C reinsurance business operated by the Group Company through China Re P&C. In the first half of 2016, we adhered to the principle of “maintaining profitability while keeping risks under control” as well as the philosophy of “rational operation and prudent growth”. Under the soft market environment, we endeavored to increase our participation in profitable business, cut underperforming business, and seek new business with stable profit margin. The international P&C reinsurance premium income in the first half of 2016 was RMB1,053 million, representing a year-on-year increase of 9.1% and accounting for 8.2% of the reinsurance premium income from P&C reinsurance business segment for the same period. The combined ratio, expense ratio and loss ratio of this segment were 91.5%, 40.2% and 51.3%, respectively.

In terms of reinsurance arrangement, our international P&C reinsurance business consisted primarily of treaty reinsurance.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: in RMB millions, except for percentages

Reinsurance arrangement	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	1,025	97.3%	916	94.9%
Facultative reinsurance	28	2.7%	49	5.1%
Total	1,053	100.0%	965	100.0%

In terms of geographic areas, Europe, Asia, and North America were the main sources of our international P&C reinsurance business, representing 45.6%, 34.7% and 16.5%, respectively of total reinsurance premium income from international P&C reinsurance.

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

Unit: in RMB millions, except for percentages

Source region of business	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Europe	480	45.6%	410	42.5%
Asia	365	34.7%	324	33.6%
North America	174	16.5%	183	19.0%
Latin America	23	2.2%	36	3.7%
Africa	8	0.7%	8	0.8%
Oceania	3	0.3%	4	0.4%
Total	1,053	100.0%	965	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of lines of business, our international P&C reinsurance business primarily provided coverage on non-marine, specialty, liability and motor insurance. Business mix consisted mainly of short tail business.

In terms of business channels, reputable international brokers remained our major sources of international P&C reinsurance business. We also cooperated with small-and-medium-sized brokers who are strong in certain areas for quality regional business.

In terms of clients, in addition to continuous cooperation with international renowned reinsurance companies as our strategic partners, we continued to put effort in long-term and stable business relationship with our key clients in order to target their core and profitable business.

Lloyd's Business

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

In the first half of 2016, reinsurance premium income from our Lloyd's business amounted to RMB564 million, accounting for 4.4% of reinsurance premium income from our P&C reinsurance business segment for the same period. In the first half of 2016, the combined ratio, expense ratio and loss ratio of our Lloyd's business were 112.8%, 49.0% and 63.8%, respectively.

CNIP Business

Our CNIP business is operated through China Nuclear Insurance Pool. The Group Company is the management institution and chairman company of CNIP. As at 30 June 2016, members of CNIP included 29 domestic and overseas P&C insurance and reinsurance companies. Our CNIP business primarily includes nuclear P&C insurance and nuclear third-party liability insurance. The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In the first half of 2016, reinsurance premium income from the CNIP business amounted to RMB40 million, of which RMB37 million was attributable to the Group Company. The projects insured by CNIP were located in the PRC and overseas countries, with good 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		Change
	2016	2015	
Gross written premiums	12,903	14,813	(12.9%)
Less: premiums ceded to retrocessionaires	(285)	(316)	(9.8%)
Net written premiums	12,618	14,497	(13.0%)
Change in unearned premium reserves	887	31	2,761.3%
Net premiums earned	13,505	14,528	(7.0%)
Reinsurance commission income	66	35	88.6%
Investment income	874	2,833	(69.1%)
Exchange gains/(losses), net	203	(63)	(422.2%)
Other income	12	2	500.0%
Total income	14,660	17,335	(15.4%)
Claims and policyholders' benefits	(8,132)	(8,951)	(9.1%)
Handling charges and commissions	(5,146)	(5,185)	(0.8%)
Finance costs	(1)	(15)	(93.3%)
Other operating and administrative expenses	(214)	(276)	(22.5%)
Total benefits, claims and expenses	(13,493)	(14,427)	(6.5%)
Share of profits of associates	(6)	4	(250.0%)
Profit before tax	1,161	2,912	(60.1%)
Income tax	(186)	(667)	(72.1%)
Net profit	975	2,245	(56.6%)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our P&C reinsurance segment decreased by 12.9% from RMB14,813 million in the first half of 2015 to RMB12,903 million in the first half of 2016, mainly due to the decline in reinsurance premium income from domestic motor insurance resulting from implementation of C-ROSS. However, the growth in reinsurance premium income from commercial and household property, agriculture and liability insurance as well as other insurance in China and from international P&C reinsurance partly offset the decline in reinsurance premium income from domestic motor insurance.

Premiums Ceded to Retrocessionaires

Premiums ceded to retrocessionaires for our P&C reinsurance segment decreased by 9.8% from RMB316 million in the first half of 2015 to RMB285 million in the first half of 2016, mainly due to corresponding decrease in premiums ceded to retrocessionaires resulting from the structural adjustment of inward business.

Reinsurance Commission Income

Reinsurance commission income from our P&C reinsurance segment increased by 88.6% from RMB35 million in the first half of 2015 to RMB66 million in the first half of 2016, mainly due to the increase in handling charges recoverable from adjustment in previous years.

Investment Income

Investment income from our P&C reinsurance segment decreased by 69.1% from RMB2,833 million in the first half of 2015 to RMB874 million in the first half of 2016, mainly because the capital market experienced a downturn in the first half of 2016, resulting in a year-on-year decrease in investment income.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our P&C reinsurance segment decreased by 9.1% from RMB8,951 million in the first half of 2015 to RMB8,132 million in the first half of 2016, mainly due to the decrease in benefits as a result of the decrease in reinsurance premium income from domestic P&C reinsurance business.

Handling Charges and Commissions

Handling charges and commissions for our P&C reinsurance segment decreased by 0.8% from RMB5,185 million in the first half of 2015 to RMB5,146 million in the first half of 2016, which generally remained steady.

Finance Costs

Finance costs for our P&C reinsurance segment decreased by 93.3% from RMB15 million in the first half of 2015 to RMB1 million in the first half of 2016, mainly due to the decrease in the average balance of securities sold under repurchase agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of Profits of Associates

Share of profits of associates for our P&C reinsurance segment decreased by 250.0% from RMB4 million in the first half of 2015 to loss of RMB6 million in the first half of 2016, mainly due to the operating loss of associates.

Net Profit

As a result of the foregoing reasons, net profit for our P&C reinsurance segment decreased by 56.6% from RMB2,245 million in the first half of 2015 to RMB975 million in first half of 2016.

LIFE AND HEALTH REINSURANCE

Life and health reinsurance business segment comprises the life and health reinsurance business operated by China Re Life, our wholly-owned subsidiary, and the legacy life and health reinsurance business. In the first year of the thirteenth five-year plan, we, in a complex operational environment, proactively expanded domestic protection-type business and developed new business models for the financial reinsurance market under C-ROSS. As a result, the Company achieved effective growth in business volume and return. Faced with unfavorable environment resulting from RMB depreciation and a decline in interest rates, we consolidated our leading position in cross-border RMB reinsurance business and steadily developed domestic savings-type business on the one hand, and actively developed foreign-currency savings-type business in response to the current situation on the other hand, achieving concurrent development of domestic and overseas business. In the first half of 2016, reinsurance premium income from our life and health reinsurance business segment was RMB22,302 million, representing 43.7% of gross written premiums of the Group (before inter-segment eliminations), while net profit for the segment was RMB639 million, with a weighted average return on equity (unannualized) of 4.24%. In particular, the total written premiums (“TWPs”) of China Re Life amounted to RMB23,336 million (including TWPs of RMB1,098 million for savings-type universal life reinsurance), representing a year-on-year increase of 31.6%, while the reinsurance premium income of China Re Life amounted to RMB22,238 million. Given the business significance and operational independence of China Re Life and that the reinsurance premium income of China Re Life accounts for more than 99.5% of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis

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

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

Unit: in RMB millions, except for percentages

Business lines	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Domestic protection-type reinsurance	2,600	11.7%	1,664	10.7%
Domestic savings-type reinsurance	96	0.4%	305	2.0%
Domestic financial reinsurance	16,832	75.7%	11,559	74.7%
Domestic in total	19,528	87.8%	13,528	87.4%
Overseas savings-type reinsurance	2,587	11.6%	1,917	12.4%
Other overseas business	123	0.6%	34	0.2%
Overseas in total	2,710	12.2%	1,951	12.6%
Total	22,238	100.0%	15,479	100.0%

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

Unit: in RMB millions, except for percentages

Universal life reinsurance	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Domestic savings-type universal life reinsurance	387	35.2%	—	—
Overseas savings-type universal life reinsurance	711	64.8%	2,257	100.0%
Total	1,098	100.0%	2,257	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Domestic Life and Health Reinsurance

In the first half of 2016, our domestic business recorded TWPs of RMB19,915 million, representing a year-on-year increase of 47.2%, of which reinsurance premium income was RMB19,528 million, representing a year-on-year increase of 44.4%.

We reinforced the upgrade of critical illness and cancer insurance as well as new types of accident insurance in protection-type reinsurance business, continuously seized business opportunities with key clients, and focused on risk control and promptly adjusted conditions of reinsurance contracts, which helped us overcome the adverse impact due to the termination of yearly renewable term (“YRT”) financial reinsurance business and achieve effective growth in business volume and return. In the first half of 2016, our reinsurance premium income from protection-type reinsurance business was RMB2,600 million, representing a year-on-year increase of 56.3%.

We adopted a strategy of selecting proper opportunities to conduct savings-type reinsurance business. We promoted the business model of “assets driving liabilities”, explored business opportunities with effective support from assets, and continued to advance the development in single premium universal life insurance business. In the first half of 2016, the TWPs of our domestic savings-type reinsurance business amounted to RMB483 million, representing a year-on-year increase of 58.4%.

In respect of financial reinsurance business, we grasped the business opportunities emerging from the implementation of C-ROSS, put more efforts on innovation, and developed a new business model for financial reinsurance business under C-ROSS, which further increased the market share and profits of the Company. In the first half of 2016, the reinsurance premium income from financial reinsurance business was RMB16,832 million, representing a year-on-year increase of 45.6%.

Overseas Life and Health Reinsurance

In the first half of 2016, our overseas business developed steadily with TWPs of RMB3,421 million, representing a year-on-year decrease of 18.7%, of which reinsurance premium income was RMB2,710 million, representing a year-on-year increase of 38.9%.

In respect of overseas savings-type reinsurance business, we adapted to the changes in the business environment by creating innovative ways for business development. With insurance policy conversion and exploration of in-force business, we achieved development in RMB cross-border reinsurance business in the adverse environment. We seized the opportunities coming from the appreciation of US dollars and adopted the “assets driving liabilities” model under controllable costs in order to actively develop foreign currency business as a complement of our cross-border RMB reinsurance business. In the first half of 2016, TWPs amounted to RMB3,298 million.

In respect of other overseas business, we continued to deepen overseas business cooperation and communication, and to carry out reciprocal and catastrophe reinsurance business. In the first half of 2016, the reinsurance premium income amounted to RMB123 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: in RMB millions, except for percentages

Reinsurance arrangement	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Treaty reinsurance	22,093	99.3%	15,381	99.4%
Facultative reinsurance	145	0.7%	98	0.6%
Total	22,238	100.0%	15,479	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			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Proportional reinsurance	22,202	99.8%	15,454	99.8%
Non-proportional reinsurance	36	0.2%	25	0.2%
Total	22,238	100.0%	15,479	100.0%

In terms of types of insurance, our life and health reinsurance business is primarily comprised of life insurance. The business structure remained largely stable.

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

Unit: in RMB millions, except for percentages

Type of insurance	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Life	19,434	87.4%	13,343	86.2%
Health	1,924	8.7%	1,485	9.6%
Accident	880	3.9%	651	4.2%
Total	22,238	100.0%	15,479	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

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

Unit: in RMB millions, except for percentages

	For the six months ended 30 June		Change
	2016	2015	
Gross written premiums	22,302	15,543	43.5%
Less: premiums ceded to retrocessionaires	(1,207)	(2,978)	(59.5%)
Net written premiums	21,095	12,565	67.9%
Change in unearned premium reserves	(316)	(205)	54.1%
Net premiums earned	20,779	12,360	68.1%
Reinsurance commission income	212	106	100.0%
Investment income	1,386	3,718	(62.7%)
Exchange gains/(losses), net	(5)	(9)	(44.4%)
Other income	66	66	0.0%
Total income	22,438	16,241	38.2%
Claims and policyholders' benefits	(22,343)	(12,261)	82.2%
Handling charges and commissions	615	(927)	(166.3%)
Finance costs	(54)	(37)	45.9%
Other operating and administrative expenses	(257)	(456)	(43.6%)
Total benefits, claims and expenses	(22,039)	(13,681)	61.1%
Share of profits of associates	412	393	4.8%
Profit before tax	811	2,953	(72.5%)
Income tax	(172)	(699)	(75.4%)
Net profit	639	2,254	(71.7%)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Reinsurance premium income from our life and health reinsurance segment increased by 43.5% from RMB15,543 million in the first half of 2015 to RMB22,302 million in the first half of 2016, mainly due to an increase in new financial reinsurance business in the first half of 2016.

Premiums Ceded to Retrocessionaires

Total premiums ceded to retrocessionaires for our life and health reinsurance segment decreased by 59.5% from RMB2,978 million in the first half of 2015 to RMB1,207 million in the first half of 2016, mainly due to the decrease in retrocession arrangements for savings-type reinsurance in the first half of 2016.

Reinsurance Commission Income

Reinsurance commission income from our life and health reinsurance segment increased by 100.0% from RMB106 million in the first half of 2015 to RMB212 million in the first half of 2016, mainly due to the impact of a newly written contract in the first half of 2016.

Investment Income

Investment income from our life and health reinsurance segment decreased by 62.7% from RMB3,718 million in the first half of 2015 to RMB1,386 million in the first half of 2016, mainly due to the relatively weak capital market in the first half of 2016.

Other Income

Other income from our life and health reinsurance segment in the first half of 2016 amounted to RMB66 million, similar to that in the first half of 2015.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life and health reinsurance segment increased by 82.2% from RMB12,261 million in the first half of 2015 to RMB22,343 million in the first half of 2016, mainly due to the termination of certain financial reinsurance business in the first half of 2016.

Handling Charges and Commissions

In the first half of 2015, handling charges and commissions for our life and health reinsurance segment amounted to RMB927 million and in the first half of 2016, handling charges and commissions were negative RMB615 million. Negative handling charges and commissions were due to the termination of certain financial reinsurance business in the first half of 2016.

Finance Costs

Finance costs for our life and health reinsurance segment increased by 45.9% from RMB37 million in the first half of 2015 to RMB54 million in the first half of 2016, mainly due to the increase in corresponding interest expense resulting from the increase in the average balance of securities sold under agreements to repurchase.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Operating and Administrative Expenses

Other operating and administrative expenses for our life and health reinsurance segment decreased by 43.6% from RMB456 million in the first half of 2015 to RMB257 million in the first half of 2016, mainly due to the decrease in business taxes as a result of the decrease in investment income, as well as the decrease in the cost of investment contracts as a result of the lower growth rate of universal reinsurance business, which was not recognized as insurance contracts under the criteria of the risk significance test.

Share of Profits of Associates

Share of profits of associates for our life and health reinsurance segment increased by 4.8% from RMB393 million in the first half of 2015 to RMB412 million in the first half of 2016, mainly due to an increase in the shareholdings of associates.

Net Profit

As a result of the foregoing reasons, net profit for our life and health reinsurance segment decreased by 71.7% from RMB2,254 million in the first half of 2015 to RMB639 million in the first half of 2016.

PRIMARY P&C INSURANCE

Primary P&C insurance business refers to the property insurance business operated by our subsidiary, China Continent Insurance. We continued to promote the transformation, improve the quality and productivity of the sales force, and accelerate the channel specialization to enhance the competitiveness. We had made great efforts in promoting profitable business. On the one hand, we improved quality in motor insurance by implementing the “identifying, controlling and introducing” strategy, and on the other hand, we utilized “vehicle + person” bundle sales strategy, and established efficient market segment for non-auto insurance, in which the emerging business lines well proceeded. We accelerated the development of telesales and online sales business to optimise organisational structure and improve operational efficiency. We strengthened the synergies between online and offline channels and continued to improve the quality of offline services. We accelerated our development in key regions to facilitate the construction of teams and channels in these areas. We continued to enhance management of and control over claims settlement and implemented comprehensive centralised reviewing to further improve cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2016, premium income from our primary P&C insurance business segment recorded steady growth. Gross written premiums amounted to RMB15,780 million, representing a year-on-year increase of 18.7%, of which the original premium income was RMB15,705 million, representing a year-on-year increase of 18.7%. Net profit amounted to RMB774 million for the first half of the year, representing a year-on-year decrease of 47.3%, mainly due to the lower investment income. Weighted average return on equity (unannualized) of our primary P&C insurance segment reached 6.98%. In terms of original premium income from P&C insurance companies in the first half of 2016 published by CIRC, the market share of our primary P&C insurance business segment reached 3.4%, representing a year-on-year increase of 0.3 percentage point.

Business Analysis

Analysis by Line of Business

The following table sets forth gross written premiums of our primary P&C insurance segment 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			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Motor	11,992	76.0%	10,391	78.2%
Accident and short-term health	1,382	8.8%	1,017	7.7%
Liability	584	3.7%	453	3.4%
Commercial property	583	3.7%	581	4.4%
Surety	397	2.5%	13	0.1%
Engineering	264	1.7%	232	1.7%
Others ¹	578	3.6%	604	4.5%
Total	15,780	100.0%	13,291	100.0%

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

MANAGEMENT DISCUSSION AND ANALYSIS

Motor Insurance

In the first half of 2016, gross written premiums from motor insurance of our primary P&C insurance segment amounted to RMB11,992 million, representing a year-on-year increase of 15.4%.

In the first half of 2016, we continued to implement the strategy of “identifying, controlling and introducing”, while focusing on “identifying” and “introducing”, to optimise the business structure. Actuarial loss ratio of motor insurance was at the lowest level of the corresponding periods in the recent four years, and quality of business continued to improve.

Accident and Short-term Health Insurance

In the first half of 2016, gross written premiums from accident and short-term health insurance of our primary P&C insurance segment amounted to RMB1,382 million, representing a year-on-year increase of 35.9%, of which gross written premiums from accident insurance was RMB661 million, representing a year-on-year increase of 29.9%; gross written premiums from short-term health insurance (excluding insurance for critical illness) was RMB506 million, representing a year-on-year increase of 23.1%; gross written premiums from critical illness insurance was RMB215 million, representing a year-on-year increase of 121.6%.

In the first half of 2016, we strengthened the business tracking and on-site service of accident and short-term health insurance, boosted the claim management standards, focused on “vehicle + person” business and achieved breakthrough in health insurance. Preliminary results of innovative business have been seen.

Liability Insurance

In the first half of 2016, gross written premiums from liability insurance of our primary P&C insurance segment amounted to RMB584 million, representing a year-on-year increase of 28.9%. In particular, new types of liability insurance such as action reservation liability insurance, prototype of material technology equipment comprehensive insurance and bank card insurance achieved strong growth.

Commercial Property Insurance

In the first half of 2016, gross written premiums from our commercial property insurance of our primary P&C insurance segment amounted to RMB583 million, and generally remained steady.

Surety Insurance

In the first half of 2016, gross written premiums from surety insurance of our primary P&C insurance segment amounted to RMB397 million, representing a year-on-year increase of 2,953.8%. Personal loan surety insurance business has seen expansion during this period. Under the strict risk control, we quickly recruited personnel, established branches, developed products and set up database. We have opened 50 stores in 19 provinces covering 33 cities and achieved a stable growth in business, which has significantly increased our gross written premiums from surety insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

Engineering Insurance

In the first half of 2016, gross written premiums from engineering insurance of our primary P&C insurance segment amounted to RMB264 million, representing a year-on-year increase of 13.8%. We have established a material engineering projects tendering system with coordination between the headquarters and branches, which can early identify and prepare for material engineering projects to maintain a high participation and winning rate. Meanwhile, to respond to the government's "One Belt and One Road Initiatives", we continuously enhanced cooperation with related brokers and clients, and achieved a better development in engineering insurance.

Analysis by Channel

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

Unit: in RMB millions, except for percentages

Channel	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Insurance agents	8,076	51.4%	6,796	51.3%
Of which: individual insurance agents	4,264	27.2%	3,167	23.9%
ancillary insurance agencies	2,488	15.8%	2,486	18.8%
professional insurance agencies	1,324	8.4%	1,143	8.6%
Direct sales	6,596	42.0%	5,575	42.2%
Insurance brokers	1,033	6.6%	855	6.5%
Total	15,705	100.0%	13,226	100.0%

In the first half of 2016, P&C insurance business segment stably advanced establishment of each channel and premiums from each channel generally maintained stable.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis by Region

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

Unit: in RMB millions, except for percentages

Region	For the six months ended 30 June			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Shanghai	1,356	8.6%	851	6.4%
Shandong	1,304	8.3%	1,191	9.0%
Yunnan	1,238	7.9%	1,014	7.7%
Zhejiang	1,226	7.8%	1,129	8.5%
Guangdong	798	5.1%	719	5.4%
Inner Mongolia	772	4.9%	722	5.5%
Sichuan	644	4.1%	572	4.3%
Jiangsu	643	4.1%	531	4.0%
Anhui	562	3.6%	477	3.6%
Henan	550	3.5%	454	3.4%
Others	6,612	42.1%	5,566	42.1%
Total	15,705	100.0%	13,226	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	
	2016 (%)	2015 (%)
Loss ratio	52.5	55.4
Expense ratio	44.7	42.5
Combined ratio	97.2	97.9

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

The following table sets forth the 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		Change
	2016	2015	
Gross written premiums	15,780	13,291	18.7%
Less: premiums ceded	(1,334)	(1,217)	9.6%
Net written premiums	14,446	12,074	19.6%
Change in unearned premium reserves	(1,050)	(1,172)	(10.4%)
Net premiums earned	13,396	10,902	22.9%
Reinsurance commission income	326	379	(14.0%)
Investment income	472	1,784	(73.5%)
Exchange gains/(losses), net	21	(1)	(2,200.0%)
Other income	49	45	8.9%
Total income	14,264	13,109	8.8%
Claims and policyholders' benefits	(7,024)	(6,044)	16.2%
Handling charges and commissions	(1,847)	(1,303)	41.7%
Finance costs	(5)	(10)	(50.0%)
Other operating and administrative expenses	(4,389)	(3,812)	15.1%
Total benefits, claims and expenses	(13,265)	(11,169)	18.8%
Share of profits of associates	1	1	0.0%
Profit before tax	999	1,941	(48.5%)
Income tax	(225)	(472)	(52.3%)
Net profit	774	1,469	(47.3%)

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Written Premiums

Gross written premiums for our primary P&C insurance segment increased by 18.7% from RMB13,291 million in the first half of 2015 to RMB15,780 million in the first half of 2016, mainly due to the rapid growth in motor insurance, accident and short-term health insurance, liability insurance, surety insurance as more efforts were put in channel expansion, sales team building and product development.

Premiums Ceded

Premiums ceded for our primary P&C insurance segment increased by 9.6% from RMB1,217 million in the first half of 2015 to RMB1,334 million in the first half of 2016, mainly due to the increase in premiums ceded as a result of steady business growth.

Reinsurance Commission Income

Reinsurance commission income from our primary P&C insurance segment decreased by 14.0% from RMB379 million in the first half of 2015 to RMB326 million in the first half of 2016, mainly due to the decrease in payment of reinsurance commissions caused by the business payment of reinsurance contracts in 2015.

Investment Income

Investment income from our primary P&C insurance segment decreased by 73.5% from RMB1,784 million in the first half of 2015 to RMB472 million in the first half of 2016, which was mainly because the capital market experienced a downturn in the first half of 2016, resulting in a year-on-year decrease in investment income.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our primary P&C insurance segment increased by 16.2% from RMB6,044 million in the first half of 2015 to RMB7,024 million in the first half of 2016, mainly due to the increase in claims as business size grew continuously.

Handling Charges and Commissions

Handling charges and commissions for our primary P&C insurance segment increased by 41.7% from RMB1,303 million in the first half of 2015 to RMB1,847 million in the first half of 2016, mainly due to the continuous increase in business scale, more resources input for quality business and material 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 47.3%, from RMB1,469 million in the first half of 2015 to RMB774 million in the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSET MANAGEMENT

The Group principally commissions China Re AMC to manage its investment assets. In the first half of 2016, international capital market experienced significant fluctuations, while the overall domestic capital market remained weak. Facing an economic downturn and a changing capital market environment, we continued to adhere to a stable, prudent and long-term investment philosophy, optimized asset allocation structure, increased the allocation of stable products such as financial products and long-term equity investments, strengthened active management and risk management and strove to increase investment income. In the first half of 2016, we continuously promoted the establishment of a professional investment platform and strengthened the asset management business segment. As for innovative businesses, we diversified business presence in alternative investment business by expanding investments into overseas real estate funds and investing in the equity interests of domestic and overseas private enterprises. We also actively looked for quality assets to issue the insurance asset management products, which satisfied our internal demand for asset allocation. For third party asset management business, active management business performed well while its business scale experienced steady growth.

As at 30 June 2016, the total investment assets of the Group was RMB162,969 million, including RMB151,604 million under the management of China Re AMC. In addition, China Re AMC also managed third party assets of RMB73,480 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 2016		As at 31 December 2015	
	Amount	Percentage	Amount	Percentage
Cash and short-term time deposits	19,794	12.1%	20,448	12.5%
Fixed-income investments	111,166	68.2%	106,542	65.3%
Time deposits	22,628	13.9%	27,890	17.0%
Bonds	46,395	28.5%	48,586	29.8%
Government bonds	183	0.1%	183	0.1%
Financial bonds	8,689	5.3%	7,311	4.5%
Enterprise (corporate) bonds	29,581	18.2%	32,649	20.0%
Subordinated bonds	7,942	4.9%	8,443	5.2%
Investments classified as loans and receivables	26,124	16.0%	13,810	8.5%
Other fixed-income investments ¹	16,019	9.8%	16,256	10.0%
Equity and investment funds	26,076	16.0%	30,610	18.8%
Investment funds ²	12,850	7.8%	18,504	11.4%
Stocks	11,011	6.8%	10,627	6.5%
Derivatives	7	0.0%	–	–
Unlisted equity shares ³	2,208	1.4%	1,479	0.9%
Investment properties	3,135	1.9%	3,192	2.0%
Investments in associates	10,573	6.5%	8,817	5.4%
Less: securities sold under agreements to repurchase	(7,775)	(4.7%)	(6,471)	(4.0%)
Total investment assets	162,969	100.0%	163,138	100.0%

Notes: 1. Primarily including financial assets held under resale agreements, statutory deposits, policy loans, financial products, asset management products and debt investment schemes.

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

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

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	
	2016	2015
Cash and fixed-income investments	2,862	2,864
Interest income	2,829	2,854
Realised gains/(losses), net	40	5
Unrealised gains/(losses), net	(7)	5
Impairment loss	–	–
Equity and investment funds	(105)	6,304
Dividend income	688	390
Realised gains/(losses), net	(572)	5,796
Unrealised gains/(losses), net	40	118
Impairment loss	(261)	–
Rental income from investment properties	23	21
Investment income from investment in associates	1,168	754
Less: interest expenses related to securities sold under agreements to repurchase	(73)	(75)
Total investment income	3,875	9,868
Total investment yield (% , unannualized) ¹	2.38	6.95
Net investment income	4,297	3,951
Net investment yield (% , unannualized) ²	2.64	2.78

Notes: 1. Ratio of total investment income to the average of investment assets as at the beginning and end of the period. Total investment income equals the sum of investment income and share of profit of associates, net of interest expenses related to securities sold under agreements to repurchase. Investment assets equals the sum of cash and short-term time deposits, financial assets at fair value through profit or loss, financial assets held under resale agreements, time deposits, available-for-sale financial assets, held-to-maturity investments, investments classified as loans and receivables, policy loans, investments in associates, statutory deposits and investment property, net of securities sold under agreements to repurchase.

2. Ratio of net investment income to the average of investment assets as at the beginning and end of the period. Net investment income equals to the sum of interest, dividends, rental income and share of profit of associates.

MANAGEMENT DISCUSSION AND ANALYSIS

INSURANCE INTERMEDIARY

Insurance intermediary business refers to the insurance intermediary business operated by our subsidiary, Huatai Insurance Agency and Consultant Service Limited, and its wholly-owned subsidiary, Huatai Surveyors & Adjusters Company Limited. In the first half of 2016, our insurance intermediary business followed the guiding principle of rapid development by means of system management measures, for the purpose of realizing efficiency, which took us to a new platform for overall construction and business development.

In the first half of 2016, revenue from our insurance intermediary business amounted to RMB149 million, representing a year-on-year increase of 45.2%, and profit before tax amounted to RMB5.955 million, representing a year-on-year increase of 8.3%.

SOLVENCY

Effective in January 2016, CIRC officially implemented “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)》)”. The Group calculates and discloses core capital, available capital, minimum capital, core solvency adequacy ratio and aggregated solvency adequacy ratio in accordance with “The Solvency Regulatory Rules for Insurance Companies” under C-ROSS. The following table sets forth the relevant data of the Group, the Group Company and each of the reinsurance and insurance subsidiaries of the Group as at the dates indicated:

Unit: in RMB millions, except for percentages

	As at 30 June 2016	As at 31 December 2015	Change
China Re Group			
Core capital	64,912	72,689	(10.7%)
Available capital	64,912	72,689	(10.7%)
Minimum capital	23,135	22,080	4.8%
Core solvency adequacy ratio	281%	329%	Decrease of 48 percentage points
Aggregated solvency adequacy ratio	281%	329%	Decrease of 48 percentage points
Group Company			
Core capital	62,722	70,863	(11.5%)
Available capital	62,722	70,863	(11.5%)
Minimum capital	8,159	7,082	15.2%
Core solvency adequacy ratio	769%	1,001%	Decrease of 232 percentage points
Aggregated solvency adequacy ratio	769%	1,001%	Decrease of 232 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2016	As at 31 December 2015	Change
China Re P&C			
Core capital	16,630	16,502	0.8%
Available capital	16,630	16,502	0.8%
Minimum capital	7,729	7,504	3.0%
Core solvency adequacy ratio	215%	220%	Decrease of 5 percentage points
Aggregated solvency adequacy ratio	215%	220%	Decrease of 5 percentage points
China Re Life			
Core capital	15,743	15,652	0.6%
Available capital	15,743	15,652	0.6%
Minimum capital	5,452	5,001	9.0%
Core solvency adequacy ratio	289%	313%	Decrease of 24 percentage points
Aggregated solvency adequacy ratio	289%	313%	Decrease of 24 percentage points
China Continent Insurance			
Core capital	10,920	10,328	5.7%
Available capital	10,920	10,328	5.7%
Minimum capital	4,171	4,789	(12.9%)
Core solvency adequacy ratio	262%	216%	Increase of 46 percentage points
Aggregated solvency adequacy ratio	262%	216%	Increase of 46 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 above data of solvency is not audited or reviewed by the auditor of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Compared with the end of 2015, the solvency adequacy ratios of the Group Company decreased mainly because the Group Company received large-sum business ceded from China Re Life in the first half of 2016 in order to enhance the overall capacity of the Group, which led to the decrease of available capital and increase of minimum capital. The solvency adequacy ratios of China Re P&C and China Re Life both decreased mainly because of the increase of minimum capital resulting from organic business development. The solvency adequacy ratios of China Continent Insurance increased mainly because of the decrease of minimum capital resulting from the decrease in the combined ratio of motor insurance. As a result of foregoing reasons, the solvency adequacy ratios of the China Re Group decreased as compared to the end of 2015.

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 2016 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 2016 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 for the second quarter:

Unit: in RMB millions

Indicators	Entities			
	Group Company	China Re P&C	China Re Life	China Continent Insurance
As at 30 June 2016				
Net assets	52,538	16,651	12,227	11,387
For the six months ended				
30 June 2016				
Insurance income	7,898	11,328	22,238	15,780
Net profit	735	665	618	775

Note: The above key operation indicators are not audited or reviewed by the auditor of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE FLUCTUATION RISK

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

DETAILS OF ASSETS CHARGED

As at the end of the Reporting Period, bank deposits with a carrying value of RMB2,500 million were pledged by the Group to obtain standby letter of credit; debt securities with a carrying amount of RMB14,315 million were pledged as the Group's assets sold under agreements to repurchase.

CONTINGENCIES

As at 30 June 2016, the Group has issued the following guarantees:

As at 30 June 2016, the Group provided maritime guarantee of RMB1,967 million (31 December 2015: RMB1,894 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 2016, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP80 million (31 December 2015: GBP80 million).

EMPLOYEES

As at 30 June 2016, China Re Group had a total of 46,884 employees (including full-time employees and independent contract workers). The Group's staff remuneration comprises three components, namely basic salary, performance bonus and various benefits and subsidies. We always uphold the concept of "highlighting value creation and strengthening motivation and restraints", follow the principle of "remuneration based on position and performance", and have established a market-based remuneration management system of "fairness within the Company, competitiveness compared to external competitors, flexibility and efficiency". We provide employees with competitive remuneration packages with reference to market benchmarks and have established an annuity plan to provide employees with more comprehensive benefits.

The Group insists in the concept of talent cultivation and training, putting efforts into talent training, providing online and offline training in the country and overseas for employees to learn theory and practice, comprehensively improving employees' overall quality and professionalism, broadening their international horizon and promoting the all-rounded development of employees through rotations and secondment.

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

Other Major Events

1. On 3 June 2016, the Singapore Branch of the Company was licensed as a reinsurer to carry on P&C reinsurance business in Singapore as governed by the applicable insurance laws of Singapore by Monetary Authority of Singapore, and officially commenced operation on 25 July 2016. The establishment of our Singapore Branch will benefit the Group to further extend its overseas market of P&C reinsurance business.
2. The proposal regarding dividend policy of the Company was approved at the fifteenth meeting of the third session of the Board held on 21 July 2016. The Company formulated the profit distribution plan of the Company in accordance with the statutory and regulatory requirements for insurance companies in the PRC (including the statutory solvency requirements of the CIRC and statutory and regulatory restrictions on payment of dividends of the Company), interests and desires of the shareholders of the Company, the financial position (including operating results and cash flows) of the Group, the business development needs and future development plans of the Group and other factors that the Company deems relevant. In consideration of the above factors and subject to the laws, regulations and regulatory requirements in effect at that time, the Company shall distribute dividends once a year and the profits distributed in form of cash shall be no less than 30% of the consolidated net profit attributable to the equity shareholders of the parent company realized for the year.
3. In the first half of 2016, the Board decided to make additional capital contribution of RMB1,450 million, RMB1,450 million and RMB700 million to China Re P&C, China Re Life and China Re AMC, respectively. Each of other shareholders of China Re AMC, namely China Re P&C, China Re Life and China Continent Insurance, made additional capital contribution of RMB100 million to China Re AMC. As at the Latest Practicable Date, China Re P&C and China Re Life had obtained the approval of regulatory authorities and was under the procedure of industrial and commercial registration of changes; China Re AMC was under the approving process of regulatory authorities and procedure of industrial and commercial registration of changes. Also, the Board decided to make additional capital contribution of no more than RMB2,500 million to China Continent Insurance. As at the Latest Practicable Date, its filing of asset valuation with the Ministry of Finance had been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Market Environment

Looking forward to the period of the “Thirteenth Five-year Plan”, China’s insurance industry will remain in its golden development stage¹. The social and economic development will provide a broad range of opportunities for the development of insurance industry. The full release of industry reform and policy benefits will greatly support the insurance industry. Meanwhile, insurance industry will continue to face challenges coming from the change in external environment, reform of financial industry, and transformation and upgrade of the industry. The growth of the insurance industry will be confronted with both opportunities and challenges. It is expected that the development of P&C insurance industry will slow down and become polarized among different products. The growth of the traditional P&C business will be slower, while the new P&C business relating to “New Ten Guidelines in the insurance industry” and the social development demand will grow rapidly. The overall life and health insurance business will maintain rapid growth, savings and investment type products will keep their dominating market position, and implementation of favorable policies in pension and health area and support from new technologies will bring new potential business growth. The capital market is under a complex situation with uncertainty.

Development Outlook of China Re Group

To leverage on the golden development period of insurance industry and actively respond to the opportunities and challenges arising from business transformation and development upon the full implementation of C-ROSS, VAT in lieu of business tax and motor insurance deregulation, the Group will take below measures to continue to achieve a stable and outstanding operation results to reward the shareholders for their trust and support.

For the reinsurance segment, we will take full advantage of our national reinsurance brand to support and serve the country’s strategy actively and adopt innovation-driven strategy to strengthen our position as a leading domestic reinsurer. Firstly, we will strengthen our competitive advantages of the traditional sectors, properly adjust the business risk strategies, grasp the opportunities of market structure adjustment to optimize our business structure. Secondly, we will actively participate in the design of the policy-support business, grasp the development opportunities in policy-support businesses and build up our platform to serve the entire insurance industry as the national reinsurance company. Thirdly, we will keep improving our understanding of clients’ needs, continuously provide quality and effective risk protection and solution to our clients, and to develop more differentiated and customised business cooperation model and development strategy under C-ROSS.

For the primary P&C insurance segment, we aim to enhance the market position and influence in the industry. Firstly, we will actively build a comprehensive operating system to extend the industry’s value chain. Secondly, by implementing the strategic transition toward a “customer-oriented” business model as well as seizing the opportunities of the “Internet +” initiative, we are developing a featured business model with competitive advantages. Thirdly, we will focus on deepening resources allocation, promoting channel specialization, integrating and balancing all business channels, and accelerating the development of personal loan surety insurance business and individual insurance agents business.

For asset management segment, we will adhere to the healthy and prudent investment philosophy, improve the investment risk management mechanism under C-ROSS, optimize our structure of investment assets portfolio, further establish a market-oriented institutional mechanism, promote the establishment of professional platform and procure the development of “assets driving liabilities” business.

Note: 1. Speech given by Xiang Junbo, the Chairman of CIRC at the opening ceremony of the specified training course for the development and regulation of insurance industry during the period of “Thirteen Five-year Plan” on 21 July 2016.

OTHER INFORMATION

1. CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code as its code for corporate governance. 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.

2. SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as its own code regarding Directors' and Supervisors' securities transactions during the Reporting Period. The Company has made enquiries into all Directors and Supervisors, and all Directors and Supervisors have confirmed that they have been in compliance with the standards stipulated in the Model Code for Securities Transactions during the Reporting Period.

3. 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.

4. INTERIM DIVIDEND

The Company does not declare interim dividend for the six months ended 30 June 2016.

5. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

OTHER INFORMATION

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

To the best knowledge of the Directors of the Company, as at the end of the Reporting Period, the following persons (other than the Directors, Supervisors or chief executive of the Company) 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:

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:

- 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 of, after the partial exercise of the over-allotment option in November 2015, the Ministry of Finance held 5,402,539,035 shares of the Company, representing approximately 15.09% of relevant class of shares of the Company and 12.72% of the total issued shares of the Company.
- According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.
- As to the approximate percentage of the relevant class shares of the Company held by Ministry of Finance, the denominator is the number of total share capital as at 30 June 2016 and the numerator is the number set out in the form of disclosure of interests. The percentages have been rounded.

OTHER INFORMATION

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

7. 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.

8. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Change of Directors and Their Information

On 10 March 2016, Mr. Li Peiyu resigned as the Chairman, an executive Director, the chairman and member of the Strategy and Investment Committee and the chairman and member of the Risk Management Committee of the Board of the Company due to his work commitment.

On 14 March 2016, the Board nominated Mr. Yuan Linjiang as an executive Director candidate of the Company and announced that the executive Director and vice Chairman, Mr. Wang Pingsheng, as the acting Chairman since the effective date of Mr. Li Peiyu's resignation report until the commencement of the term of office of the new Chairman.

On 6 May 2016, at the second extraordinary general meeting of 2016 of the Company and the 14th meeting (interim) of the third session of the Board of the Company, Mr. Yuan Linjiang was elected as an executive Director, the Chairman of the third session of the Board of the Company, member of the Strategy and Investment Committee, and chairman and member of the Risk Management Committee. According to the Working Rules of the Strategy and Investment Committee of the Board, the chairman of the Strategy and Investment Committee of the Board shall also be Mr. Yuan Linjiang, the Chairman of the Company.

On 25 May 2016, the Company received the approval for the qualification of Mr. Yuan Linjiang from CIRC. According to such approval, CIRC approved Mr. Yuan Linjiang's qualification of being the Chairman of the Company. The term of office of Mr. Yuan Linjiang as the above positions shall be effective from the date of his qualification being approved (i.e. 20 May 2016) until the expiration of the term of the third session of the Board.

OTHER INFORMATION

Biographical details of Mr. Yuan Linjiang are as follows:

Mr. Yuan Linjiang, born in 1963, has been the party secretary of the Company since March 2016 and has been the Chairman of the Company since May 2016. Mr. Yuan had served as the assistant to general manager and deputy general manager of credit management department, the deputy general manager (in charge of daily operation) of risk management department, the vice president and chief risk officer of Beijing Branch, the president and party secretary of Chongqing Branch of China Everbright Bank Company Limited; the non-executive director of Agricultural Bank of China Limited (a listed company on Shanghai Stock Exchange, stock code: 601288; and a listed company on the main board of Hong Kong Stock Exchange, stock code: 1288); the director of integrated management department and second banking institution management department of Central Huijin and the general manager and senior managing director of CIC International (Hong Kong) Co., Ltd. Mr. Yuan graduated from Renmin University of China and obtained a degree of Executive Master of Business Administration.

Please refer to the announcements of the Company dated 10 March 2016, 14 March 2016, 6 May 2016 and 26 May 2016 for details.

Since May 2016, Mr. Zhang Hong, the executive Director and president of the Company, has been the non-executive director of Shanghai Insurance Exchange Company Limited (上海保險交易所股份有限公司).

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.

Change of Supervisors and Their Information

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

On 6 May 2016, Mr. Lin Wei resigned as the employee representative Supervisor of the Board of Supervisors and the member of Financial Supervision and Inspection Committee under the Board of Supervisors. The resignation of Mr. Lin Wei was effective from the date when the new employee representative supervisor officially takes up the office (i.e. 11 July 2016).

On 6 May 2016, being elected at the meeting of the employee representative of the Company and appointed by the Board of Supervisors, Mr. Tian Bo was appointed as an employee representative Supervisor of the Board of Supervisors and a member of Financial Supervision and Inspection Committee under the Board of Supervisors. His term of office commenced from the date his qualification being approved by the CIRC (i.e. 11 July 2016) to the expiry of the term of the third session of the Board of Supervisors.

OTHER INFORMATION

The biographical details of Mr. Tian Bo are as follow:

Mr. Tian Bo, aged 45, has been the deputy general manager of the party-masses work department of the Company since August 2016. Mr. Tian Bo served as a cadre of the insurance integration management division and agency supervision division of the insurance department under the People's Bank of China from July 1996 to November 1998. He also served as a cadre of the system division under the agency supervision department of the CIRC from November 1998 to December 1999. He successively served as a cadre, assistant to the director, deputy director of the comprehensive division under the office and deputy director and director of the statistical research department of the CIRC (Beijing Bureau) from December 1999 to April 2006. Mr. Tian Bo successively served as the deputy general manager of the human resources department of the Company, an audit supervisor and deputy general manager of risk management and compliance department of China Re Life, a deputy director of the Office of the Board of Supervisors, the deputy general manager of the corporate culture and brand department of the Company from April 2006 to August 2016. Mr. Tian Bo graduated from Wuhan University with a Bachelor's degree and graduated from Tianjin University of Finance and Economics with a master's degree (in-service). Mr. Tian Bo has the qualification of senior economist.

Please refer to the announcements of the Company dated 9 May 2016 and 20 July 2016 for details.

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.

Changes of Senior Management and Their Information

During the Reporting Period, there was no 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.

9. REVIEW OF INTERIM REPORT

The Group's 2016 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 2016 Interim Report. The report summarizes the scope of work carried out by EY, valuation methodology, valuation results as well as valuation assumptions used for the abovementioned work.

2. SCOPE OF WORK

The scope of our work is as follows:

- Quantifying embedded value of China Re Group as at 30 June 2016;
- Quantifying value of one year’s new business underwritten by the Group during the 12 months prior to 30 June 2016;
- 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.

EMBEDDED VALUE

3. VALUATION METHODOLOGY

We prepared EV results and the report based on “Life and Health Insurance Embedded Value Reporting Guidelines” (“EV Guidance”) issued by the China Insurance Regulatory Commission (“CIRC”) in September 2005.

In this report, embedded value of China Re Group is defined as the sum of adjusted net worth (“ANW”) of the Group and VIF of the 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 PRC statutory basis for the Covered Business;
- The asset value adjustments, which reflect the after-tax difference between market value and book value for certain relevant assets, together with the relevant adjustments to liabilities.

VIF is the present value of the projected after-tax statutory profits arising from the Covered Business less the cost of capital (“CoC”) required to support the in-force business. The CoC is the present value of the difference between the investment return implied by the risk discount rate (“RDR”) and the after-tax investment return earned on assets backing the required capital.

1-year VNB is defined as the present value, at the inception to be ceded, of the projected after-tax statutory profits arising from the policies ceded during the 12 months prior to the valuation date less CoC 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.

The CIRC officially released the notice on the implementation of the new solvency regime, known as China Risk Oriented Solvency System (“C-ROSS”) on 29 January 2016. The “C-ROSS” regulatory rules commenced since 1 January 2016. The CIRC is organizing a taskforce among the major market players to develop the new EV guidelines under C-ROSS.

Since CIRC has not officially released new EV guidelines under C-ROSS as at 30 June 2016, we still use the methodology under old solvency regime for statutory reserve and required capital calculation when performing 2016 interim EV valuation.

EMBEDDED VALUE

4. VALUATION RESULTS

This section summarizes embedded value and value of one year's new business results as at 30 June 2016 and the corresponding results as at prior valuation date with risk discount rate 11%.

Table 1: EV and 1-year VNB as at 30 June 2016 and 31 December 2015
(in RMB millions)

Valuation Date	30 Jun 2016	31 Dec 2015
Embedded value		
Adjusted net worth	68,872 ¹	69,957
including: adjusted net worth of life and health reinsurance business	11,742	12,037
Value of in-force business before CoC	5,520	5,026
Cost of Capital	(798)	(816)
Value of in-force business after CoC	4,722	4,210
Embedded value	73,594	74,167
including: embedded value of life and health reinsurance business	16,465	16,248
Value of new business		
Value of one year's new business before CoC	1,184	1,125
Cost of Capital	(175)	(191)
Value of one year's new business after CoC	1,008	934

Note 1: Including dividend paid to shareholders by China Re Group;

Note 2: Figures may not add up due to rounding.

5. VALUATION ASSUMPTIONS

The key assumptions used in EV calculation as at 30 June 2016 are the same as those used in 2015 year-end valuation.

EMBEDDED VALUE

6. SENSITIVITY

We have performed a series of sensitivity tests on alternative assumptions for embedded value and value of one year's new business of the life and health reinsurance business of China Re Group as at 30 June 2016. 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 2016
(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	4,722	1,008
Risk discount rate of 12%	4,365	931
Risk discount rate of 10%	5,127	1,096
Annual investment return rates increased by 50 basis points	5,469	1,120
Annual investment return rates decreased by 50 basis points	3,973	896
Mortality and morbidity rates increased by 10%	4,661	1,008
Mortality and morbidity rates decreased by 10%	4,782	1,009
Discontinuance rates increased by 10%	4,671	982
Discontinuance rates decreased by 10%	4,777	1,036
Management expenses increased by 10%	4,672	989
Management expenses decreased by 10%	4,773	1,027
Combined ratio of short term reinsurance contract increased 1%	4,631	953
Combined ratio of short term reinsurance contract decreased 1%	4,814	1,063
150% of the statutory minimum required capital	4,326	921

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 2016.

In particular, we have relied on:

- Information regarding to the in-force reinsurance contracts and retrocessional reinsurance contracts of the Group Company and China Re Life;
- Policy data covering the in-force long-term ceded business of the Group Company and China Re Life;
- Model points of in-force yearly renewable term reinsurance contracts of the Group Company and China Re Life;
- Information regarding to the accumulated amount of the in-force survival benefit and policy dividend of the Group Company and China Re Life;
- Information regarding to the statutory reserve and accounting reserve of the Group Company and China Re Life;
- Information regarding to gross written premium from short-term ceded business of the Group Company and China Re Life;
- Information regarding to the ceded gross premium for short-term retrocessional business of the Group Company and China Re Life;
- Information relevant to adjusted net worth and historical financial information of the Group Company and China Re Life;
- Information regarding to the experience statistics and experience analysis results of the Group Company and China Re Life in 2014, 2015 and first half year of 2016;
- Information regarding to the future investment strategy and tax exempted proportion of investment income of the Group Company and China Re Life; and
- Information regarding to foreign currency policies and foreign exchange rate of the Group Company and China Re Life.

We have reviewed the reasonableness of the limited information obtained and checked its consistency with our understanding of China life and health insurance market and international reinsurance industry. It should be noted that the scope of our work did not include independent verification or audit of the accuracy or completeness of the policy data and other information provided to us. We did not review the adequacy of various reserves in the balance sheet.

EMBEDDED VALUE

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

This report is based on the information obtained by EY as at 30 June 2016, 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 48 to 89, 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 2016 and the related interim condensed consolidated statements of income, 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, 30 August 2016

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016 Unaudited	2015 Audited
Gross written premiums	5	50,339,774	43,047,730
Less: Premiums ceded to reinsurers and retrocessionaires	5	(2,180,947)	(3,912,769)
Net written premiums	5	48,158,827	39,134,961
Changes in unearned premium reserves		(504,652)	(1,309,730)
Net premiums earned		47,654,175	37,825,231
Reinsurance commission income		450,693	292,102
Investment income	6	3,191,797	9,257,466
Exchange gains/(losses), net		236,821	(69,096)
Other income		319,710	262,484
Total income		51,853,196	47,568,187

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (continued)

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016 Unaudited	2015 Audited
Total income		51,853,196	47,568,187
Claims and policyholders' benefits	7	(37,515,748)	(27,259,291)
– Claims incurred		(16,699,542)	(16,408,409)
– Life and health reinsurance death and other benefits paid		(33,380,225)	(3,694,459)
– Changes in long-term life and health reinsurance contract liabilities		12,564,019	(7,156,423)
Handling charges and commissions		(6,223,493)	(7,184,277)
Finance costs		(73,478)	(74,997)
Other operating and administrative expenses	8	(5,345,780)	(4,996,198)
Total benefits, claims and expenses		(49,158,499)	(39,514,763)
Share of profits of associates		757,103	685,429
Profit before tax	9	3,451,800	8,738,853
Income tax	10	(698,265)	(2,057,261)
Profit for the period		2,753,535	6,681,592
Attributable to:			
Equity shareholders of the parent		2,698,597	6,577,796
Non-controlling interests		54,938	103,796
Profit for the period		2,753,535	6,681,592
Earnings per share (in RMB)	12		
– Basic		0.06	0.18
– Diluted		0.06	0.18

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Profit for the period	<u>2,753,535</u>	<u>6,681,592</u>
Other comprehensive income for the period after tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	(8)	–
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	(23,218)	49,083
Income tax effect	<u>5,766</u>	<u>(12,327)</u>
Share of other comprehensive income of associates, after tax	<u>(17,452)</u>	<u>36,756</u>
Available-for-sale financial assets	(2,135,557)	(1,355,674)
Income tax effect	<u>533,889</u>	<u>338,919</u>
Available-for-sale financial assets, after tax	<u>(1,601,668)</u>	<u>(1,016,755)</u>
Exchange differences on translation of financial statements of foreign operations	1,014	527
Other comprehensive income for the period after tax	<u>(1,618,114)</u>	<u>(979,472)</u>
Total comprehensive income for the period	<u>1,135,421</u>	<u>5,702,120</u>
Attributable to:		
Equity shareholders of the parent	1,093,301	5,608,509
Non-controlling interests	<u>42,120</u>	<u>93,611</u>
Total comprehensive income for the period	<u>1,135,421</u>	<u>5,702,120</u>

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	30 June 2016 Unaudited	31 December 2015 Audited
Assets			
Cash and short-term time deposits	13	19,793,841	20,448,273
Financial assets at fair value through profit or loss	14	2,943,270	10,011,755
Financial assets held under resale agreements		370,200	1,288,501
Premiums receivable	15	1,923,653	860,078
Reinsurance debtors	16	17,504,221	23,292,207
Reinsurers' share of insurance contract liabilities	25	6,574,417	8,699,269
Time deposits		22,627,823	27,890,005
Available-for-sale financial assets	17	51,116,537	50,186,175
Held-to-maturity investments	18	18,446,520	19,077,930
Investments classified as loans and receivables	19	26,124,365	13,810,000
Policy loans		307,244	302,561
Investment contracts receivable	20	223,678	109,343,386
Investments in associates	21	10,572,567	8,817,229
Statutory deposits	22	15,306,023	14,584,415
Investment properties		3,135,165	3,191,767
Property and equipment		2,525,198	2,559,206
Intangible assets		338,295	336,172
Goodwill		1,188,538	1,188,538
Deferred tax assets		847,013	352,818
Other assets	23	12,310,491	12,753,016
Total assets		214,179,059	328,993,301
Liabilities and equity			
Liabilities			
Securities sold under agreements to repurchase		7,774,755	6,470,650
Reinsurance payables		13,752,370	6,020,044
Income tax payable		303,357	387,658
Policyholders' deposits		1,279,468	927,332
Investment contract liabilities	24	9,966,416	118,992,978
Insurance contract liabilities	25	97,291,728	112,690,378
Deferred tax liabilities		1,242,230	1,509,188
Other liabilities	26	12,430,767	11,038,177
Total liabilities		144,041,091	258,036,405

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	30 June 2016 Unaudited	31 December 2015 Audited
Equity			
Share capital	27	42,479,808	42,479,808
Reserves		12,674,713	14,280,286
Retained profits		14,171,662	13,427,137
Total equity attributable to equity shareholders of the parent		69,326,183	70,187,231
Non-controlling interests		811,785	769,665
Total equity		70,137,968	70,956,896
Total liabilities and equity		214,179,059	328,993,301

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

YUAN Linjiang
Director

ZHANG Hong
Director

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent												
	Note	Reserves										Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation 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	-	-	-	-	-	-	-	-	(1,954,072)	(1,954,072)	-	(1,954,072)
Others		-	(277)	-	-	-	-	-	-	-	(277)	-	(277)
As at 30 June 2016 (Unaudited)		42,479,808	8,166,594	1,049,322	2,703,438	9,968	(7,455)	750,194	2,652	14,171,662	69,326,183	811,785	70,137,968
As at 1 January 2015 (Audited)		36,407,611	1,166,250	697,827	1,745,000	-	-	2,563,817	(5,464)	11,318,253	53,893,294	741,414	54,634,708
Changes in equity for the period													
Profit for the period		-	-	-	-	-	-	-	-	6,577,796	6,577,796	103,796	6,681,592
Other comprehensive income		-	-	-	-	-	-	(969,814)	527	-	(969,287)	(10,185)	(979,472)
Total comprehensive income		-	-	-	-	-	-	(969,814)	527	6,577,796	5,608,509	93,611	5,702,120
Distributions to shareholders	11	-	-	-	-	-	-	-	-	(728,152)	(728,152)	(904)	(729,056)
Others		-	(875)	-	-	-	-	-	-	-	(875)	-	(875)
As at 30 June 2015 (Audited)		36,407,611	1,165,375	697,827	1,745,000	-	-	1,594,003	(4,937)	17,167,897	58,772,776	834,121	59,606,897

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Operating activities		
Cash generated from operations	258,907	747,266
Income tax paid	(961,830)	(1,444,370)
Net cash flows used in operating activities	(702,923)	(697,104)
Investing activities		
Interests received	2,310,177	1,915,528
Dividends received	518,833	731,379
Purchases of property and equipment, investment properties and intangible assets	(153,052)	(410,663)
Proceeds from disposals of property and equipment and intangible assets	2,297	3,329
Purchases of investments	(44,332,025)	(77,444,513)
Proceeds from disposals of investments	46,322,735	71,212,343
Disposals of associates	–	831,533
Investments in associates	(1,018,001)	(601,818)
Net cash flows generated from/(used in) investing activities	3,650,964	(3,762,882)

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Financing activities		
Changes in third party investors' interests of consolidated structured entities, net	(758,019)	–
Interests paid	(64,404)	(69,363)
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	672,167	5,068,570
Net cash flows (used in)/generated from financing activities	(3,605,974)	4,999,207
Net (decrease)/increase in cash and cash equivalents	(657,933)	539,221
Cash and cash equivalents at the beginning of the period	19,872,898	6,370,718
Effect of foreign exchange rate changes	336,321	(11,500)
Cash and cash equivalents at the end of the period	19,551,286	6,898,439
Cash at banks and on hand	19,793,841	8,531,890
Financial assets held under resale agreements with original maturity of no more than three months	370,200	799,000
Restricted cash and short-term time deposits	(612,755)	(2,432,451)
Cash and cash equivalents at the end of the period	19,551,286	6,898,439

The accompanying notes on pages 56 to 89 form part of these interim financial information.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

The Company 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 have 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 2015.

(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 2015, except in relation to the following amendments.

These amendments to standards, which are relevant to the Group, became effective for the financial year beginning or after 1 January 2016:

IAS 1 (Amendment)	Disclosure initiative
IAS 27 (Amendment)	Equity method in separate financial statements
Annual Improvement Project	Annual Improvements 2012-2014 Cycle

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(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 are not yet effective for the financial year beginning or after 1 January 2016 and which have not been early adopted by the Group.

IAS 12 (Amendment)	Income taxes ⁽¹⁾
IAS 7 (Amendment)	Statement of cash flows ⁽¹⁾
IFRS 15	Revenue from Contracts with Customers ⁽²⁾
IFRS 9	Financial Instruments ⁽²⁾
IFRS 16	Leases ⁽³⁾
IAS 28 and IFRS 10 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁴⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2017.

⁽²⁾ Effective for the accounting period beginning on 1 January 2018.

⁽³⁾ Effective for the accounting period beginning on 1 January 2019.

⁽⁴⁾ Originally effective for the accounting period beginning on 1 January 2016. The effective date has now been deferred/removed.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

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 2015.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION

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

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

- The property and casualty reinsurance segment, 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.
- 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 to both personal and corporate customers including motor, property and liability insurance, etc.
- The asset management segment, operated by the subsidiary of the Company China Re Asset Management Company Ltd., comprises asset management services.
- Other segment provides management and support for the Group's business through its strategy, risk management, actuary, finance, legal and human resources functions; and other operating and insurance agent business of the Group.

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

As the total income, net profit, assets and liabilities of operations outside Mainland China constitutes only around 1% of the consolidated amounts in the financial information, geographical segmental information is not presented.

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(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
Changes 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)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2015 (Audited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	14,813,430	15,543,026	13,290,818	–	–	(599,544)	43,047,730
Less: Premiums ceded to reinsurers and retrocessionaires	(316,189)	(2,978,155)	(1,216,825)	–	–	598,400	(3,912,769)
Net written premiums	14,497,241	12,564,871	12,073,993	–	–	(1,144)	39,134,961
Changes in unearned premium reserves	30,554	(205,176)	(1,171,561)	–	–	36,453	(1,309,730)
Net premiums earned	14,527,795	12,359,695	10,902,432	–	–	35,309	37,825,231
Reinsurance commission income	35,438	106,322	378,795	–	–	(228,453)	292,102
Investment income	2,832,611	3,717,858	1,784,331	18,956	906,186	(2,476)	9,257,466
Exchange (losses)/gains, net	(63,365)	(9,061)	(996)	149	(270)	4,447	(69,096)
Other income	2,179	66,477	44,919	118,043	148,944	(118,078)	262,484
Total income	17,334,658	16,241,291	13,109,481	137,148	1,054,860	(309,251)	47,568,187
– External income	16,820,625	16,241,239	13,418,460	51,497	1,036,366	–	47,568,187
– Inter-segment income	514,033	52	(308,979)	85,651	18,494	(309,251)	–
Claims and policyholders' benefits	(8,951,341)	(12,261,353)	(6,043,689)	–	–	(2,908)	(27,259,291)
– Claims incurred	(8,951,341)	(1,410,471)	(6,043,689)	–	–	(2,908)	(16,408,409)
– Life and health reinsurance death and other benefits paid	–	(3,694,459)	–	–	–	–	(3,694,459)
– Changes in long-term life and health reinsurance contract liabilities	–	(7,156,423)	–	–	–	–	(7,156,423)
Handling charges and commissions	(5,185,328)	(926,616)	(1,303,220)	–	–	230,887	(7,184,277)
Finance costs	(14,952)	(36,837)	(9,913)	(271)	(13,024)	–	(74,997)
Other operating and administrative expenses	(276,222)	(456,239)	(3,812,660)	(124,534)	(443,515)	116,972	(4,996,198)
Total benefits, claims and expenses	(14,427,843)	(13,681,045)	(11,169,482)	(124,805)	(456,539)	344,951	(39,514,763)
Share of profits of associates	5,153	393,246	793	–	288,616	(2,379)	685,429
Profit before tax	2,911,968	2,953,492	1,940,792	12,343	886,937	33,321	8,738,853
Income tax	(666,821)	(699,443)	(471,991)	(4,409)	(207,688)	(6,909)	(2,057,261)
Profit for the period	2,245,147	2,254,049	1,468,801	7,934	679,249	26,412	6,681,592

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 SEGMENT INFORMATION (continued)

	30 June 2016 (Unaudited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	60,420,520	87,093,051	37,238,272	1,117,981	56,157,083	(27,847,848)	214,179,059
Segment liabilities	(40,622,587)	(69,674,186)	(25,852,576)	(531,362)	(10,047,796)	2,687,416	(144,041,091)

	31 December 2015 (Audited)						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	56,693,753	197,510,509	38,602,683	855,132	63,448,685	(28,117,461)	328,993,301
Segment liabilities	(39,191,063)	(184,794,565)	(27,802,842)	(270,020)	(10,607,404)	4,629,489	(258,036,405)

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

5 GROSS AND NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Long-term life and health reinsurance	19,175,362	12,944,629
Short-term life and health reinsurance	3,126,920	2,598,397
Property and casualty reinsurance	12,332,952	14,279,715
Primary property and casualty insurance	15,704,540	13,224,989
Total	50,339,774	43,047,730

(b) Premiums ceded to reinsurers and retrocessionaires

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Long-term life and health reinsurance	507,948	2,499,536
Short-term life and health reinsurance	699,085	478,619
Property and casualty reinsurance	310,078	316,189
Primary property and casualty insurance	663,836	618,425
Total	2,180,947	3,912,769

(c) Net written premiums

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Net written premiums	48,158,827	39,134,961

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Interest, dividend and rental income (a)	3,540,769	3,265,115
Realised (losses)/gains (b)	(532,856)	5,800,645
Unrealised gains (c)	32,858	122,803
Negative goodwill arising from investments in associates	411,984	68,903
Impairment losses (d)	(260,958)	–
Total	3,191,797	9,257,466

(a) Interest, dividend and rental income

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Interest income		
Current and time deposits	1,133,035	1,238,730
Debt securities		
– Held-to-maturity	479,345	472,984
– Available-for-sale	657,238	657,959
– Carried at fair value through profit or loss	10,529	15,703
– Loans and receivables	530,008	456,280
Financial assets held under resale agreements	18,980	11,537
Policy loans	376	1,049
Subtotal	2,829,511	2,854,242
Dividend income		
Equity securities		
– Available-for-sale	581,507	360,750
– Carried at fair value through profit or loss	106,836	28,991
Subtotal	688,343	389,741
Rental income from investment properties	22,915	21,132
Total	3,540,769	3,265,115

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INVESTMENT INCOME (continued)

(b) Realised (losses)/gains

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Debt securities		
– Available-for-sale	38,533	5,021
– Carried at fair value through profit or loss	1,021	(189)
Equity securities		
– Available-for-sale	(446,291)	5,163,155
– Carried at fair value through profit or loss	(126,119)	443,774
– Investments in associates	–	188,884
Total	(532,856)	5,800,645

(c) Unrealised gains

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Debt securities		
– Carried at fair value through profit or loss	(6,902)	4,562
Equity securities		
– Carried at fair value through profit or loss	39,760	118,241
Total	32,858	122,803

(d) Impairment losses

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Equity securities		
– Available-for-sale	(260,958)	–
Total	(260,958)	–

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

7 CLAIMS AND POLICYHOLDERS' BENEFITS

	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

	Six months ended 30 June 2015 (Audited)		
	Gross	Ceded	Net
Claims incurred	17,174,495	(766,086)	16,408,409
– Short-term life and health reinsurance	1,752,798	(342,327)	1,410,471
– Property and casualty reinsurance	8,805,267	(70,827)	8,734,440
– Primary property and casualty insurance	6,616,430	(352,932)	6,263,498
Life and health reinsurance death and other benefits paid	4,093,022	(398,563)	3,694,459
Changes in long-term life and health reinsurance contract liabilities	9,369,891	(2,213,468)	7,156,423
Total	30,637,408	(3,378,117)	27,259,291

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Employee costs	1,717,594	1,512,249
Business taxes and surcharges	622,247	1,054,276
Advertising and promotion expenses	974,239	587,076
Official and travel expenses	399,467	416,808
Interest expenses of policyholders' deposits and investment contracts	88,905	190,226
Rental expenses	183,754	156,321
Depreciation and amortisation	163,523	111,361
Insurance guarantee fund	123,918	105,804
Regulatory fees	37,270	37,445
Impairment losses (reversals)/charges	(125,066)	19,109
Others	1,159,929	805,523
Total	5,345,780	4,996,198

9 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Employee costs (including directors' and supervisors' emoluments) (note)	2,017,678	1,721,633
Depreciation of property and equipment (note)	110,694	100,390
Depreciation of investment properties (note)	57,469	13,356
Amortisation of intangible assets (note)	26,145	26,270
Rental expenses (note)	214,459	190,872
Impairment losses on available-for-sale financial assets	260,958	–
Impairment losses on premiums receivable	29,526	21,854
Impairment losses/(reversal) on reinsurance debtors	17,773	(2,538)
Impairment reversal on other assets	(172,365)	(207)

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INCOME TAX

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Current income tax		
Charge for the period	860,476	1,796,026
Under-provision in respect of prior years	59,287	5,525
Deferred income tax	(221,498)	255,710
Total	698,265	2,057,261

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 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	
	2016	2015
	Unaudited	Audited
In respect of previous year:		
2015 final dividend: RMB 0.046 per ordinary share	1,954,072	
2014 final dividend: RMB 0.020 per ordinary share		728,152

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 2016 and the six months ended 30 June 2015 as follows:

	Six months ended 30 June	
	2016	2015
	Unaudited	Audited
Net profit attributable to the equity shareholders of the parent	2,698,597	6,577,796
Weighted average number of ordinary shares (in thousands)	42,479,808	36,407,611
Basic and diluted earnings per share (in RMB)	0.06	0.18

There were no potential diluted ordinary shares in issue during the six months ended 30 June 2016 and the six months ended 30 June 2015, 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)

(Expressed in thousands of Renminbi, unless otherwise stated)

13 CASH AND SHORT-TERM TIME DEPOSITS

	30 June 2016 Unaudited	31 December 2015 Audited
Cash at banks and on hand	17,075,775	19,257,208
Time deposits with original maturity of no more than three months	2,277,100	974,302
Other monetary deposits	440,966	216,763
Total	<u>19,793,841</u>	<u>20,448,273</u>

As at 30 June 2016, cash and short-term time deposits of RMB612,755 thousand (31 December 2015: RMB1,863,876 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 2016 Unaudited	31 December 2015 Audited
Listed		
Debt securities		
Corporate bonds	11,936	6,365
Equity securities		
Stocks	645,168	542,022
Sub-total	<u>657,104</u>	<u>548,387</u>
Unlisted		
Debt securities		
Government bonds	19,516	19,572
Financial bonds	399,530	405,892
Corporate bonds	20,064	20,156
Equity securities		
Investment funds	1,840,305	9,017,748
Derivative instruments	6,751	-
Sub-total	<u>2,286,166</u>	<u>9,463,368</u>
Total	<u>2,943,270</u>	<u>10,011,755</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

15 PREMIUMS RECEIVABLE

	30 June 2016 Unaudited	31 December 2015 Audited
Premiums receivable	2,020,924	928,666
Less: impairment provision	(97,271)	(68,588)
Premiums receivable, net	<u>1,923,653</u>	<u>860,078</u>

(a) Aging analysis

	30 June 2016 Unaudited	31 December 2015 Audited
Within 3 months (inclusive)	1,760,422	703,437
3 months to 1 year (inclusive)	163,563	156,641
1 to 2 years (inclusive)	55,839	33,587
Over 2 years	41,100	35,001
Total	2,020,924	928,666
Less: impairment provision	(97,271)	(68,588)
Net	<u>1,923,653</u>	<u>860,078</u>

(b) Impairment provision of premiums receivable

	Six months ended 30 June 2016 Unaudited	2015 Audited
At the beginning of the period	68,588	55,096
Charge for the period	29,526	21,854
Written off	(843)	(868)
At the end of the period	<u>97,271</u>	<u>76,082</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

16 REINSURANCE DEBTORS

	30 June 2016 Unaudited	31 December 2015 Audited
Reinsurance debtors	17,619,378	23,388,324
Less: impairment provision	(115,157)	(96,117)
Reinsurance debtors, net	<u>17,504,221</u>	<u>23,292,207</u>

(a) Aging analysis

	30 June 2016 Unaudited	31 December 2015 Audited
Within 3 months (inclusive)	15,321,494	22,761,894
3 months to 1 year (inclusive)	1,995,228	443,569
1 to 2 years (inclusive)	169,994	68,188
Over 2 years	132,662	114,673
Total	17,619,378	23,388,324
Less: impairment provision	(115,157)	(96,117)
Net	<u>17,504,221</u>	<u>23,292,207</u>

(b) Impairment provision of reinsurance debtors

	Six months ended 30 June 2016 Unaudited	2015 Audited
At the beginning of the period	96,117	95,824
Charge/(Reversal) for the period	17,773	(2,538)
Exchange difference	1,267	(61)
At the end of the period	<u>115,157</u>	<u>93,225</u>

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 Unaudited	31 December 2015 Audited
Listed		
Debt securities		
Corporate bonds	6,352,665	7,373,572
Financial bonds	748,962	500,000
Equity securities		
Investment funds	2,314,290	3,182,981
Stocks	10,365,557	10,084,820
Sub-total	<u>19,781,474</u>	<u>21,141,373</u>
Unlisted		
Debt securities		
Government bonds	41,156	41,274
Financial bonds	6,179,420	5,567,433
Corporate bonds	13,330,388	14,512,743
Subordinated bonds	855,184	1,071,716
Other debt investments	25,000	70,050
Equity securities		
Investment funds	8,695,004	6,302,684
Equity shares	1,108,610	78,227
Other equity investments	1,100,301	1,400,675
Sub-total	<u>31,335,063</u>	<u>29,044,802</u>
Total	<u>51,116,537</u>	<u>50,186,175</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

18 HELD-TO-MATURITY INVESTMENTS

	30 June 2016 Unaudited	31 December 2015 Audited
Listed		
Government bonds	13,406	13,376
Corporate bonds	4,576,429	4,726,550
Sub-total	4,589,835	4,739,926
Unlisted		
Government bonds	109,406	109,162
Financial bonds	1,360,610	837,867
Corporate bonds	5,289,633	6,009,372
Subordinated bonds	7,086,371	7,370,938
Debt investment schemes	10,665	10,665
Sub-total	13,856,685	14,338,004
Total	18,446,520	19,077,930

19 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2016 Unaudited	31 December 2015 Audited
Debt investment schemes	23,174,365	10,060,000
Trust schemes	1,600,000	2,400,000
Subordinated debts	1,213,000	1,200,000
Government bonds	137,000	150,000
Total	26,124,365	13,810,000

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2015 Audited	Additions	Payments, surrenders, recaptures, others	30 June 2016 Unaudited
Investment contracts receivable	109,343,386	7,147,038	(116,266,746)	223,678

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 2016 Unaudited	31 December 2015 Audited
Share of net assets		
– Listed shares (i)	10,287,433	8,677,589
– Unlisted shares	285,134	139,640
Total	10,572,567	8,817,229

- (i) During the six months ended 30 June 2016, the Company and the subsidiary of the Company China Re Life, acquired 217,537,000 shares and 85,000,000 shares, respectively, of the Group's associate China Everbright Bank Company Limited ("China Everbright Bank") in the open market. The considerations for the acquisitions were RMB 640,503 thousand and RMB 257,499 thousand respectively. As at 30 June 2016, the Group's aggregate interest in China Everbright Bank were increased from 4.29% as at 31 December 2015 to 4.94%.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

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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 2016 Unaudited	31 December 2015 Audited
The Company	9,890,000	8,903,000
China Re P&C	2,150,000	2,090,000
China Re Life	1,750,000	1,750,000
China Continent Insurance	1,515,023	1,840,415
Huatai Insurance Agency	1,000	1,000
Total	<u>15,306,023</u>	<u>14,584,415</u>

23 OTHER ASSETS

	30 June 2016 Unaudited	31 December 2015 Audited
Interest receivables	3,214,972	2,704,588
Deposits retained by cedants	7,281,862	7,557,524
Claims prepaid	301,949	928,857
Deferred expenses	207,044	213,837
Receivable from securities clearance	47,172	625,651
Taxes prepaid	195,542	301,164
Others	1,080,951	613,137
Total	<u>12,329,492</u>	<u>12,944,758</u>
Less: impairment provision	<u>(19,001)</u>	<u>(191,742)</u>
Net value	<u>12,310,491</u>	<u>12,753,016</u>

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 INVESTMENT CONTRACT LIABILITIES

	Six months ended 30 June	
	2016 Unaudited	2015 audited
At the beginning of the period	118,992,978	21,192,010
Additions	7,147,038	23,344,185
Payments, surrenders, recaptures	(116,254,130)	(6,979,180)
Fees deducted	(147,902)	(84,160)
Interest credited	228,432	177,850
At the end of the period	9,966,416	37,650,705

25 INSURANCE CONTRACT LIABILITIES

	30 June 2016 (Unaudited)		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts	40,415,714	(2,132,671)	38,283,043
Short-term life and health reinsurance contracts			
– Claim reserves	3,457,145	(1,477,933)	1,979,212
– Unearned premium reserves	1,730,224	(547,470)	1,182,754
Property and casualty reinsurance contracts			
– Claim reserves	23,038,994	(545,018)	22,493,976
– Unearned premium reserves	8,614,106	(201,582)	8,412,524
Primary property and casualty insurance contracts			
– Claim reserves	7,979,651	(1,249,752)	6,729,899
– Unearned premium reserves	12,055,894	(419,991)	11,635,903
Total insurance contract liabilities	97,291,728	(6,574,417)	90,717,311

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INSURANCE CONTRACT LIABILITIES (continued)

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

26 OTHER LIABILITIES

	30 June 2016 Unaudited	31 December 2015 Audited
Claims payable	103,835	115,656
Premiums received in advance	1,286,704	1,398,266
Salaries and welfare payable	1,165,537	1,255,923
Defined benefit obligation	128,973	129,055
Suspense account payable	367,017	202,089
Listing fees payable	350,307	343,384
Insurance guarantee fund payable	71,149	76,929
Regulatory fees payable	51,178	113,087
Payables for property and equipment	76,547	81,816
Deposits from cedants	320,141	280,776
Securities clearance payable	293,765	1,731,041
Handling charges and commissions payable	555,995	362,206
Taxes payable	205,520	297,213
Dividends payable	1,954,072	3,455,718
Payable to third party investors of consolidated structured entities	4,221,606	–
Others	1,278,421	1,195,018
Total	12,430,767	11,038,177

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

27 SHARE CAPITAL

	30 June 2016 Unaudited	31 December 2015 Audited
Issued and fully paid ordinary shares of RMB 1 each		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
Total	<u>42,479,808</u>	<u>42,479,808</u>

28 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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 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, premium and related expenses, etc. are reflected through risk margin.

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 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 32, 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 32.

(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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

(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.

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28 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

	30 June 2016 (Unaudited)					Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Assets:						
Cash and short-term time deposits	19,795,846	-	-	-	19,795,846	19,793,841
Debt securities carried at fair value through profit or loss	44,041	39,849	391,798	-	475,688	451,046
Equity securities carried at fair value through profit or loss	2,492,224	-	-	-	2,492,224	2,492,224
Financial assets held under resale agreements	370,263	-	-	-	370,263	370,200
Premiums receivable	1,923,653	-	-	-	1,923,653	1,923,653
Reinsurance debtors	16,973,987	-	239,027	-	17,213,014	17,504,221
Reinsurers' share of insurance contract liabilities	4,504,751	1,396,193	733,549	14,092	6,648,585	6,574,417
Time deposits	18,315,507	5,283,563	-	-	23,599,070	22,627,823
Available-for-sale debt securities	2,324,038	7,229,012	13,625,326	8,691,629	31,870,005	27,532,775
Available-for-sale equity securities	23,583,762	-	-	-	23,583,762	23,583,762
Held-to-maturity investments	742,895	1,075,008	4,842,442	22,603,311	29,263,656	18,446,520
Investments classified as loans and receivables	390,459	4,158,041	12,231,916	23,380,598	40,161,014	26,124,365
Policy loans	307,244	-	-	-	307,244	307,244
Investment contracts receivable	223,678	-	-	-	223,678	223,678
Statutory deposits	6,859,893	4,535,211	4,915,937	-	16,311,041	15,306,023
Other assets	6,571,617	150,385	1,411,919	-	8,133,921	12,103,447
Total	105,423,858	23,867,262	38,391,914	54,689,630	222,372,664	195,365,239
Liabilities:						
Securities sold under agreements to repurchase	7,789,255	-	-	-	7,789,255	7,774,755
Reinsurance payables	13,360,169	-	392,201	-	13,752,370	13,752,370
Policyholders' deposits	1,202,382	74,815	2,234	37	1,279,468	1,279,468
Investment contract liabilities	253,620	772,903	3,149,181	11,850,511	16,026,215	9,966,416
Insurance contract liabilities	45,988,661	15,583,371	13,803,896	25,510,340	100,886,268	97,291,728
Other liabilities	7,748,343	496,647	1,700,987	5,871,358	15,817,335	12,225,247
Total	76,342,430	16,927,736	19,048,499	43,232,246	155,550,911	142,289,984

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

28 RISK MANAGEMENT (continued)

(2) Financial risk (continued)

(c) Liquidity risk (continued)

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

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 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 2016 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 2016	Fair value measurements as at 30 June 2016 categorised into		
		Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	451,046	5,637	445,409	–
– Equity securities	2,492,224	2,466,200	19,273	6,751
Available-for-sale financial assets				
– Debt securities	27,532,775	769,475	26,763,300	–
– Equity securities	23,583,762	19,400,332	835,781	3,347,649
Total	54,059,807	22,641,644	28,063,763	3,354,400

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 FAIR VALUE MEASUREMENT (continued)

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

Fair value hierarchy (continued)

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

Valuation techniques and inputs used in Level 2 fair value measurements

As at 30 June 2016, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilise a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. As at 30 June 2016, the Group transferred the securities of RMB 1,579 million (31 December 2015: RMB 61 million) from Level 1 to Level 2 and RMB 718 million (31 December 2015: RMB 260 million) from Level 2 to Level 1.

During the six months ended 30 June 2016 and the six months ended 30 June 2015, the Group does 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)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 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 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

Unaudited	30 June 2016		30 June 2016 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets	18,446,520	20,198,183	1,180,856	19,017,327	–

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

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.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 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.

31 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

(1) **Ultimate parent**

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

(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 associates are as follows:

	Six months ended 30 June	
	2016 Unaudited	2015 Audited
Interest income	137,307	170,978
Premium income	3,542	2,273
Claims payments	(42)	(10)
Fees and commissions	(195)	(57)

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

31 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

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

	30 June 2016 Unaudited	31 December 2015 Audited
Cash and short-term time deposits	5,502	133,308
Time deposits	1,000,000	1,245,865
Statutory deposits	3,865,419	3,865,419
Interest receivables	250,545	181,237
Dividends receivable (i)	438,255	–
Debt investments	999,121	998,842
Premiums receivable	2,706	10

- (i) During the six months ended 30 June 2015, the Group received the dividends from China Everbright Bank of RMB 371,880 thousand.

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

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). 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 2016 and 31 December 2015, most of bank deposits of the Group were with state-owned banks, and the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the six months ended 30 June 2016, a large portion of its reinsurance business of the Group was with state-owned insurance companies.

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 CONTINGENCIES

As at 30 June 2016, the Group has issued the following guarantees:

- (1) As at 30 June 2016, the Group provided maritime guarantee of RMB 1,967 million (31 December 2015: RMB 1,894 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 2016, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP 80 million (31 December 2015: GBP 80 million).

33 COMMITMENTS

(1) Capital commitments

	30 June 2016 Unaudited	31 December 2015 Audited
Contracted for		
– Intangible assets commitments	10,211	14,848
– Property and equipment commitments	824	1,164
– Investment commitments	565,474	634,880
Authorised but not contracted for		
– Investment commitments	85,207	200,922
Total	<u>661,716</u>	<u>851,814</u>

FINANCIAL STATEMENTS AND NOTES

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

33 COMMITMENTS (continued)

(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 2016 Unaudited	31 December 2015 Audited
Within 1 year	261,069	192,170
1 to 2 years	173,717	154,113
2 to 3 years	109,188	91,190
3 to 5 years	80,733	85,142
Over 5 years	95,148	74,958
Total	<u>719,855</u>	<u>597,573</u>

34 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Board of Directors on 30 August 2016.

DEFINITIONS

“Board of Directors” or “Board”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“Central Huijin”	Central Huijin Investment Ltd.
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003
“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 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 Limited
“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會)
“CNIP”	China Nuclear Insurance Pool
“Corporate Governance Code”	the Code on Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second generation insurance solvency regulation system

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	9 September 2016, being the latest practicable date for the inclusion of certain information in this interim report prior to its publication
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Market Share in terms of Premiums Ceded”	the market share calculated using reinsurance premium income of a reinsurance company from a certain market as the numerator and the aggregate premiums ceded from primary insurance companies of the same market as the denominator
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Hong Kong Listing Rules
“New Ten Guidelines in the insurance industry”	The Several Opinions on Accelerating the Development of the Modern Insurance Service Industry (關於加快發展現代保險服務業的若干意見) issued by the State Council on 13 August 2014
“our Company”, the “Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
“our Group”, the “Group”, “China Re Group” or “we”	our Company, and, except where the context requires, its subsidiaries, or, where the context refers to any time prior to its incorporation, the business which its predecessors were engaged in and which it subsequently inherited
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2016 until 30 June 2016
“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

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PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

CLASS OF SHARES

H shares

STOCK NAME

China Re

STOCK CODE

1508

H SHARE REGISTRAR

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Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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INVESTOR RELATIONS DEPARTMENT

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LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

SECRETARY TO THE BOARD

Ms. Yu Qing

AUTHORISED REPRESENTATIVES

Mr. Zhang Hong
Ms. Yu Qing

JOINT COMPANY SECRETARIES

Ms. Yu Qing
Ms. Mok Ming Wai

AUDITORS

Domestic auditor:
PricewaterhouseCoopers Zhong Tian LLP

Overseas auditor:
PricewaterhouseCoopers

ACTUARIAL CONSULTANT

Ernst & Young (China) Advisory Limited

HONG KONG LEGAL ADVISER

Clifford Chance

COMPLIANCE ADVISER

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Hong Kong Securities Limited

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