



中國再保險(集團)股份有限公司

CHINA REINSURANCE (GROUP) CORPORATION

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

Stock Code : 1508

## 2017 Annual Report



專業 讓保險更保險  
EMPOWER YOUR INSURANCE **BY EXPERTISE**

# CORPORATE CULTURE OF CHINA RE GROUP

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## MISSION

Diversifying economic risks  
Assisting the robust development of the insurance industry

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## VISION

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

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## CORE VALUES

Integrity      Expertise      Responsibility      Aspiration

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## BASIC AWARENESS

Risk awareness      Service awareness  
Compliance awareness      Collaboration awareness

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## BUSINESS PHILOSOPHY

Prudence      Innovation      Openness      Mutual-benefit

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# TABLE OF CONTENTS

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Financial Highlights	3
Honors and Awards	4
Statement from the Chairman	6
Management Discussion and Analysis	9
Directors, Supervisors, Senior Management and Employees	44
Corporate Governance Report	60
Report of the Board of Directors	82
Report of the Board of Supervisors	94
Embedded Value	97
Independent Auditor's Report	105
Financial Statements and Notes	113
Definitions	233
Corporate Information	236

# FINANCIAL HIGHLIGHTS

Highlights of financial information of the Group for the past five accounting years are extracted as below:

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

	2017	2016	Change (%)	2015	2014	2013
Total assets	242,800	211,207	15.0	328,993	189,675	154,829
Total liabilities	167,430	139,067	20.4	258,036	135,040	108,941
Total equity	75,370	72,140	4.5	70,957	54,635	45,888
Gross written premiums	105,336	86,677	21.5	80,434	73,753	67,375
Net profit	5,336	5,233	2.0	7,675	5,476	3,396
Net profit attributable to equity shareholders of the parent company	5,256	5,146	2.1	7,579	5,404	3,373
Earnings per share (RMB)	0.12	0.12	2.1	0.20	0.15	0.09
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.75	1.68	4.5	1.65	1.48	1.24
			Decrease of 0.06 percentage points			
Weighted average return on equity (%) <sup>1</sup>	7.22	7.28		12.99	10.91	7.58

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

# HONORS AND AWARDS



## China Re Group was recognised as the “2017 Asian Excellent Reinsurance Company”

On 6 December 2017, China Re Group was recognised as the “2017 Asian Excellent Reinsurance Company” in the election of “21st Century Asia Financial Competitiveness”.

## China Re Group was recognised as the “Best Reinsurance Company of the Year”

On 22 December 2017, China Re Group was recognised as the “Best Reinsurance Company of the Year” at the election of “2017 Chinese Financial Institutions Gold Medal List — the Golden Dragon Prize” hosted by *Financial Times*.

## China Re Group was recognised as a “Top 100 Chinese brands in 2017”

On 26 May 2017, China Re Group was recognised as a “Top 100 Chinese Brands” in the “Thumb up for Chinese Brands – 2017 Chinese Brand Summit Forum” hosted by Xinhua Net.

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

On 20 September 2017, the CPC Qinghai Provincial Committee and the People’s Government of Qinghai Province held a meeting to award entities for poverty alleviation in Qinghai Province, at which China Re Group was recognised as an “Outstanding Team for Poverty Alleviation”.

## China Re Group was granted the “2017 China Social Responsibility Poverty Alleviation Award”

On 6 December 2017, China Re Group was granted the “2017 China Social Responsibility Poverty Alleviation Award” in the “2017 China’s Social Responsibility Public Welfare Ceremony” hosted by Xinhua Net.

# HONORS AND AWARDS

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## **China Re Group was granted the “2017 Financial Enterprise Poverty Alleviation Innovation Award”**

On 8 November 2017, China Re Group was granted the “2017 Financial Enterprise Poverty Alleviation Innovation Award” at the election of “2017 Financial Poverty Alleviation Innovation Award” hosted by Sina.com.

## **China Re Group was granted the “2017 Award for Extraordinary Contributor of the FINTECH Industry”**

On 20 January 2018, China Re Group was granted the “2017 Award for Extraordinary Contributor of the FINTECH Industry” through “the ability of its catastrophe insurance platform to assist insurance companies and governments to improve risk management”.

## **China Re P&C was granted the Copyright Certificate by the National Copyright Administration**

On 3 July 2017, Reinsurance Enterprise Analysis & Pricing System (REAPAS) of China Re P&C was granted the Copyright Certificate of Computer Software by the National Copyright Administration.

## **China Re Life was recognised as the “2017 Innovative Company of the Insurance Service”**

On 6 December 2017, China Re Life was recognised as the “2017 Innovative Company of the Insurance Service” in the election of “21st Century Asia Financial Competitiveness”.

## **China Re Life was granted the Copyright Certificate by the National Copyright Administration**

On 25 December 2017, the intelligent underwriting Engine System of China Re Life was granted the Copyright Certificate of Computer Software by the National Copyright Administration.

## **China Continent Insurance was granted the “2017 Outstanding Brand Image”**

On 20 July 2017, China Continent Insurance was granted the “2017 Outstanding Brand Image” at the 6<sup>th</sup> China Finance Summit.

## **China Continent Insurance was recognised as a “Top 10 P&C Insurance Company in terms of Competitiveness in the China’s Market in 2017”**

On 13 October 2017, China Continent Insurance was ranked among the “Top 10 Insurance Company in terms of competitiveness and value growth in the China’s market in 2017” and was recognised as a “Top 10 P&C Insurance Company in terms of Competitiveness in the China’s Market in 2017”.

## **China Re AMC was granted the “2017 Ark Award for Trustworthy Insurance and Asset Management Company” and the “2017 Ark Award for Outstanding Insurance Investment Team”**

On 23 June 2017, China Re AMC was granted the “2017 Ark Award for Trustworthy Insurance and Asset Management Company” in the election of Ark Award for the Insurance Industry in China and the held-for-sale equity-style portfolio of China Re AMC was granted the first prize of “2017 Ark Award for Outstanding Insurance Investment Team (Equity)” hosted by *the Securities Times*.



# STATEMENT FROM THE CHAIRMAN

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In 2017, the economy of China continued to maintain a stable performance with good momentum for growth. The 19th National Congress of the Communist Party of China, the National Financial Work Conference and the Central Economic Work Conference were convened, pointing out the direction for the reform and development of China's finance and insurance industry. China's insurance industry had been stepping up the pace in innovation and transformation by focusing on serving the real economy, preventing and mitigating risks, and refocusing on protection function. In conformity with the development requirements of the state and the industry, China Re Group adhered to the "One-Three-Five" Strategy as its guideline and facilitated the innovation, synergy and fission so as to promote national strategies, serve the real economy, optimize management and control mechanism, and effectively prevent and control risks. As such, the business continued to grow robustly while maintaining its market position, achieving continuous improvement in operating performance, steady progress in major tasks, and positive development in the reform.

In 2017, China Re Group recorded a robust growth in business. The gross written premiums exceeded RMB100 billion for the first time, reaching RMB105,336 million,

representing a year-on-year growth rate of 21.5%, a new record high since 2012. The market position remained stable. Operational profitability was constantly enhanced. Net profit attributable to equity shareholders of the parent company for the year amounted to RMB5,256 million, representing a year-on-year increase of 2.1%, and the weighted average return on equity remained stable at 7.22%. China Re Group recorded a total investment yield of 6.01%, while its net investment yield was 4.64%. The international ratings have been stably maintained, with "A (Excellent)" rating by A.M. Best and "A" rating by S&P Global Ratings.

In 2017, China Re Group actively served the national strategies and promoted innovation, synergy and fission in all respects to facilitate the effective implementation of major tasks. We served as the pioneer of risk management for the "Belt and Road Initiative", advocated to initiate the International Insurance and Reinsurance Pool for the "Belt and Road Initiative", co-established the China Security Insurance Pool, and forged the brand of "Chinese Insurance for Chinese People, Chinese Reinsurance for China". The Group acted as the management institution for the Singapore "Belt and

# STATEMENT FROM THE CHAIRMAN

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Road Initiative” Insurance Consortium, co-established the BRICS Insurance and Reinsurance Collaboration and Support Framework, aiming to provide localised services to China’s overseas interests in 118 countries and regions around the world. We served as the leader of catastrophe risk management, established the China Reinsurance Catastrophe Research Center, launched the “Zai Kan” “Zai Shang” catastrophe platform, and co-established the China Earthquakes, Floods, Agricultural Risks and Insurance Laboratory so as to support the development of national disaster management system. We launched a blueprint for the “Digital China Re”, carried out consultation program on the informatization strategy, and affirmed the IT strategic blueprint of “integrating resources, building a platform, and creating ecosystem”. We launched the reinsurance core business system, established the cross-industry blockchain alliance and promoted the implementation of artificial intelligence, cloud computing and other new technology applications. A new momentum was emerged from synergistic development. We established the Strategic Customers Department at the Group Company level to continuously enhance the functions of large marketing, large overall planning and large synergy. We entered into strategic cooperation agreements at headquarter level with a number of provincial governments and state-owned enterprises to fully facilitate the implementation of projects. We focused on the asset-liability management, implemented collaboration between investment and insurance, and established synergy mechanisms. New breakthroughs were driven by innovation. The Group successfully issued USD1,500 million two-tranche notes through an offshore platform, launched the first set of risk curves for marine insurance in China, and became the platform builder and lead reinsurer of the construction quality inherent defects insurance (IDI) in Shanghai. We completed the first asset securitization denominated in US dollars in respect of aircraft leasing which was designed and issued by insurer in China, increasing the gains of domestic investment denominated in US dollars. Stable progress in fission layout was achieved. Continent Insurance Agencies Company Limited, a subsidiary of China Continent Insurance, received approval for opening. Chongqing Continent Finance Technology Limited, another subsidiary of China Continent Insurance, completed its business registration, and China Re Capital Management Company Limited commenced its business operation. The Group has been promoting the establishment of relevant technology companies and overseas branches.

In 2017, domestic business of the P&C reinsurance<sup>1</sup> recorded gross written premiums of RMB21,862 million, with its business scale being stabilised from a decreasing trend. The development of overseas business platform and business management structure has continued to be optimised, and the operating capabilities in respective regional reinsurance markets continued to improve, achieving a year-on-year growth of 22.9% for gross written premiums. Positive progress was made in product innovation, with the domestic facultative reinsurance business grew at a year-on-year growth rate of 50.8% in terms of reinsurance premium income, continuously optimizing the overall business mix. We comprehensively facilitated the implementation of the relationship manager system from three dimensions, namely concept, service and product, which significantly enhanced the access to customers and customer loyalty. The life and health reinsurance business achieved robust growth with gross written premiums amounting to RMB44,311 million, representing a year-on-year increase of 41.3%. Transformation of achievements from “Data+” and “Technology+” was accelerated, supporting the rapid growth of the domestic protection-type business with a year-on-year increase of 35.9% in terms of reinsurance premium income. The domestic savings business grew robustly at a year-on-year growth rate of 221.5% in terms of reinsurance premium income. Meanwhile, we focused on providing differentiated services to key customers and facilitated the expansion of customer relationship network. The gross written premiums of the primary P&C insurance business amounted to RMB37,268 million, representing a year-on-year increase of 16.2%, continuously outperforming the market average. Non-motor businesses achieved remarkable results, with the gross written premiums amounting to approximately RMB10 billion. We fully promoted the technology-driven comprehensive customer management, facilitating the implementation of the “Three New Focuses” strategic guidance, namely “new pattern focusing on customer, new business model focusing on layout, and new system focusing on science and technology”. The asset

Note: 1. The domestic business of the P&C reinsurance herein refers to domestic P&C reinsurance business operated by China Re P&C only.



# STATEMENT FROM THE CHAIRMAN

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management business achieved total investment income of RMB10,700 million. Total investment yield reached 6.01%, outperforming the industry for five consecutive years. The annual revenue of the insurance intermediary business amounted to RMB259 million, representing a year-on-year increase of 14.1%. Synergy has been significantly enhanced in areas such as pushing ahead the Group's strategic cooperation projects and developing innovative products.

Looking forward, the long-term growth trend of China's economy will remain unchanged, and China's insurance market is still in the midst of a golden period of opportunity. Macroeconomic environment will continue to seek progress while maintaining stability, and structural changes in demand will require the insurance industry to accelerate the supply-side reform. Competition in the insurance market continues to intensify, placing great challenges on the traditional areas while accelerating the reshape of industry landscape. The application of new technology and integration of new business model will bring forward a strong impact on the industry, forcing insurance companies to speed up with transformation. The insurance industry will continue to take protection as the core value proposition. Regulation will push the industry to refocus on protection function, thereby bringing new market opportunities for reinsurance.

In the face of opportunities and challenges, in the year of 2018, China Re Group will adhere to the general principle of making progress while working to keep performance stable, facilitate the implementation of the "One-Three-Five" Strategy, and fully strive for innovation, synergy and fission. The Group will further strengthen marketing awareness, maintain stable performance for business with traditional advantages, consolidate market position of core businesses, accelerate the expansion into emerging business sectors, and seize the opportunities arising from new industry-leading business platforms, so as to create partial first-mover advantages with innovation. The Group will firmly embrace new technologies and integrate new business models so as to promote the penetration and implementation of new technologies in areas such as reinsurance and primary insurance, and comprehensively establish a new technology-based competitive advantage. The Group will accelerate business mix adjustment, deepen the supply-side reform and innovation of reinsurance and primary insurance. The Group will facilitate the transformation of competition mode by focusing on customers and strictly adhering to the market benchmarking so as to keep up with both international and domestic industry-leading peers. The Group will speed up the improvement of the management mechanism, strictly adhere to the bottom line of risk management so as to fully improve the ability of responding rapidly to market changes.

In 2018, guided by the "One-Three-Five" Strategy, China Re Group will continue to enhance the value of the Company, strive for better returns for shareholders, brighter prospects in employees' career and greater contributions to the society.



Yuan Linjiang  
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is engaged in P&C reinsurance, life and health reinsurance, primary P&C insurance, asset management and other business. We operate our domestic P&C reinsurance business primarily through our wholly-owned subsidiary China Re P&C, our overseas P&C reinsurance business primarily through China Re P&C, Singapore Branch of the Group Company and China Re Syndicate 2088, our domestic and overseas life and health reinsurance business primarily through our wholly-owned subsidiary China Re Life, and our primary P&C insurance business primarily through China Continent Insurance, in which the Group Company holds approximately 93.18% equity interest. We utilize and manage our insurance funds in a centralised and professional manner primarily through China Re AMC, in which the Group Company, China Re P&C, China Re Life and China Continent Insurance jointly holds 100% equity interest. In addition, the Group Company operates domestic and overseas legacy P&C reinsurance business and CNIP business through China Re P&C and operates the domestic legacy life and health reinsurance business through China Re Life.

## Key Operating Data

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

	<i>Unit: in RMB millions, except for percentages</i>		
	For the year ended		
	31 December		
	2017	2016	Change (%)
Gross written premiums	105,336	86,677	21.5
Gross written premiums by business segment:			
P&C reinsurance <sup>1</sup>	25,239	24,457	3.2
Life and health reinsurance <sup>1</sup>	44,311	31,366	41.3
Primary P&C insurance <sup>1</sup>	37,268	32,071	16.2
Total investment income <sup>2</sup>	10,700	9,048	18.3
Total investment yield (%) <sup>3</sup>	6.01	5.48	Increase of 0.53 percentage points

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

# MANAGEMENT DISCUSSION AND ANALYSIS

	As at 31 December 2017		As at 31 December 2016	
	Core solvency adequacy ratio	Aggregated solvency adequacy ratio	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
China Re Group (%)	197	197	258	258
Group Company (%)	549	549	804	804
China Re P&C (%)	218	218	209	209
China Re Life (%)	234	234	258	258
China Continent Insurance (%)	267	267	289	289

*Unit: in RMB millions, except for percentages*

	As at 31 December 2017	As at 31 December 2016	Change (%)
Embedded value of life and health reinsurance business	20,484	18,200	12.5
Value of one year's new business of life and health reinsurance business	1,489	1,220	22.0

In 2017, the Group fully implemented the “One-Three-Five” Strategy, continuously strengthened fundamental management, stably proceeded with major strategic works, made positive progress in reforms, creating a satisfactory operating performance. As the growth of our business remained rapid, our gross written premiums increased by 21.5% from RMB86,677 million in 2016 to RMB105,336 million in 2017, of which the gross written premiums from P&C reinsurance, life and health reinsurance and primary P&C insurance (before inter-segment eliminations) were RMB25,239 million, RMB44,311 million and RMB37,268 million, respectively. Our core reinsurance business maintained its market position and we continued to have the leading market share in the PRC P&C reinsurance market and life and health reinsurance market. In terms of primary premium incomes, we accounted for 3.52% market share, ranking No. 6 of all primary P&C insurance companies in the PRC market. During the Reporting Period, we maintained a rating of “A (Excellent)” by A.M. Best and was rated “A” by S&P Global Ratings, with our financial position remaining stable.

In 2017, our total investment yield on a consolidated basis reached 6.01%, representing a year-on-year increase of 0.53 percentage points; our total investment income amounted to RMB10,700 million, representing a year-on-year increase of 18.3%. The main reasons for the increase in total investment income are as follows: (i) the average size of our total investment assets recorded a year-on-year increase of 7.7%; (ii) we proactively seized investment opportunities and strengthened active management, resulting in a significant year-on-year increase in investment gains from equity and fund investment; and (iii) we recorded a one-off gain of RMB732 million on the disposal of investment property (Shanghai World Plaza), details of which are set out in the section headed “Major Events”. For details of analysis on changes of total investment income, please refer to relevant contents in asset management business segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Key Financial Indicators

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

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

	For the year ended		Change (%)
	31 December		
	2017	2016	
Gross written premiums	105,336	86,677	21.5
Profit before tax	6,951	6,402	8.6
Net profit	5,336	5,233	2.0
Net profit attributable to equity shareholders of the parent company	5,256	5,146	2.1
Earnings per share (RMB)	0.12	0.12	2.1
Weighted average return on equity (%) <sup>1</sup>	7.22	7.28	Decrease of 0.06 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.

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

	As at	As at	Change (%)
	31 December	31 December	
	2017	2016	
Total assets	242,800	211,207	15.0
Total liabilities	167,430	139,067	20.4
Total equity	75,370	72,140	4.5
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.75	1.68	4.5

# MANAGEMENT DISCUSSION AND ANALYSIS

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## P&C REINSURANCE

The businesses of P&C reinsurance segment mainly include domestic P&C reinsurance business, overseas P&C reinsurance business, CNIP business and legacy P&C reinsurance business. In 2017, the gross written premiums from our P&C reinsurance segment amounted to RMB25,239 million, representing a year-on-year increase of 3.2%, accounting for 23.6% of the gross written premiums of the Group (before inter-segment eliminations). Net profit of the segment amounted to RMB1,296 million, and weighted average return on equity reached 6.45%. The combined ratio was 103.1%, of which loss ratio was 61.4% and expense ratio was 41.7%.

### Business Analysis

#### Domestic P&C Reinsurance Business

Domestic P&C reinsurance business mentioned in this section refers to domestic P&C reinsurance business operated by China Re P&C. In 2017, we made efforts to strengthen our position as a leading domestic reinsurer. We proactively dealt with significant changes including intensified competition, business restructure, and narrowing profit margin in domestic reinsurance market. We integrated technical resources of underwriting business, improved customer service system, made intensified efforts in the expansion of facultative reinsurance and innovative business. Meanwhile, we promoted the implementation of national strategies, served the real economy, enhanced our service and support to China's "Belt and Road Initiative" and proactively analysed and deployed businesses including catastrophe reinsurance business. Reinsurance premium income from our domestic P&C reinsurance business amounted to RMB21,862 million, representing a year-on-year increase of 0.3%. The combined ratio was 100.7%, of which loss ratio was 57.3% and expense ratio was 43.4%.

In terms of types of reinsurance arrangement and forms of cession, our domestic P&C reinsurance business primarily consisted of treaty reinsurance and proportional reinsurance respectively, which was generally in line with the business mix in the domestic P&C reinsurance market. Meanwhile, as a result of our active development of facultative reinsurance business, its reinsurance premium income increased by RMB267 million, representing a year-on-year increase of 50.8%. In terms of business channels, by virtue of our good direct cooperation with domestic clients, the majority of our domestic P&C reinsurance business was on direct basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

Type of reinsurance arrangement	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	21,069	96.4	21,266	97.6
Facultative reinsurance	793	3.6	526	2.4
<b>Total</b>	<b>21,862</b>	<b>100.0</b>	<b>21,792</b>	<b>100.0</b>

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

*Unit: in RMB millions, except for percentages*

Form of cession	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	21,503	98.4	21,413	98.3
Non-proportional reinsurance	359	1.6	379	1.7
<b>Total</b>	<b>21,862</b>	<b>100.0</b>	<b>21,792</b>	<b>100.0</b>

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 year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Direct	20,562	94.1	20,988	96.3
Via broker	1,300	5.9	804	3.7
<b>Total</b>	<b>21,862</b>	<b>100.0</b>	<b>21,792</b>	<b>100.0</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Lines of business

As the largest domestic specialised P&C reinsurance company in the PRC, China Re P&C offers a wide variety of P&C reinsurance coverage catering to the characteristics of the PRC market. Our lines of business cover a wide range of P&C insurance types in the PRC, 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 lines of business for the reporting periods indicated:

*Unit: in RMB millions, except for percentages*

Line of business	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	9,003	41.2	9,427	43.3
Commercial and household property	3,996	18.3	4,214	19.3
Agriculture	3,665	16.8	3,715	17.0
Liability	2,207	10.1	1,750	8.0
Engineering	1,182	5.4	989	4.5
Others <sup>1</sup>	1,809	8.2	1,697	7.9
<b>Total</b>	<b>21,862</b>	<b>100.0</b>	<b>21,792</b>	<b>100.0</b>

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

*Motor reinsurance.* In 2017, the reinsurance premium income from motor insurance amounted to RMB9,003 million, representing a year-on-year decrease of 4.5%, mainly due to the changes in demand from certain customers. Meanwhile, we actively sought business opportunities such as high net worth motor insurance, reducing the impact of unfavourable factors.

*Commercial and household property reinsurance.* In 2017, the reinsurance premium income from commercial and household property insurance amounted to RMB3,996 million, representing a year-on-year decrease of 5.2%, mainly due to our effort to adjust the business mix. We took into account market competition and changes in reinsurance strategy of primary insurance companies, tightened business selection criteria against high risk business, and exerted strict control over business quality and accumulation of catastrophic liability.

*Agriculture reinsurance.* In 2017, the reinsurance premium income from the agriculture insurance amounted to RMB3,665 million, representing a year-on-year decrease of 1.3%, mainly due to the fact that we exerted strict control over business quality and adjusted our business mix, while some primary insurance companies reduced ceding proportion.

# MANAGEMENT DISCUSSION AND ANALYSIS

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*Liability reinsurance.* In 2017, the reinsurance premium income from liability insurance amounted to RMB2,207 million, representing a year-on-year increase of 26.1%, mainly due to the fact that we captured opportunities arising from the rapid growth of primary insurance market and made efforts to enhance expansion of new types of liability reinsurance.

*Engineering reinsurance.* In 2017, the reinsurance premium income from engineering insurance amounted to RMB1,182 million, representing a year-on-year increase of 19.6%, mainly due to the fact that we seized business opportunities brought by the “Belt and Road Initiative” and other national strategies as well as large-scale projects and continued to expand the business development of engineering reinsurance.

## **Clients and client services**

In 2017, we continued to maintain good client relationships. We have established long-term stable relationships with major P&C insurance companies in the PRC and strengthened our relationships through business cooperation, exchange of technical know-how and client services. As at the end of the Reporting Period, we maintained business relationships with 78 P&C insurance companies in China, covering 92% of P&C insurance companies in China.

## **Overseas P&C Reinsurance Business**

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

In 2017, the overseas P&C reinsurance business continued to explore development opportunities in the international market on the premise of strict risk control. We actively expanded in the Asia-Pacific market through our Singapore Branch, and developed new insurance products and new customers by taking advantages of talents and channels of the Lloyd's, thereby further optimizing the insurance product structure and diversifying the business portfolio. Gross written premiums from our overseas P&C reinsurance business amounted to RMB3,374 million (before intra-segment eliminations), representing a year-on-year increase of 22.9%. The combined ratio was 123.7% (before intra-segment eliminations), representing a year-on-year increase of 33.6 percentage points, of which loss ratio was 85.9%, representing a year-on-year increase of 28.8 percentage points and expense ratio was 37.8%, representing a year-on-year increase of 4.8 percentage points. The increase in loss ratio was mainly due to the three hurricanes (namely, Harvey, Irma and Maria) and the earthquake in Mexico during the third quarter of 2017, which resulted in a net loss of approximately USD100 million in total. Such losses have been reflected in the financial year of 2017.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

Type of reinsurance arrangement	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	3,190	94.5	2,687	97.8
Facultative reinsurance and others <sup>1</sup>	184	5.5	59	2.2
<b>Total</b>	<b>3,374</b>	<b>100.0</b>	<b>2,746</b>	<b>100.0</b>

Note: 1. Including primary premium income from the overseas primary P&C insurance business operated by China Re Syndicate 2088 amounting to RMB143 million.

In terms of geographic areas, North America, Asia and Europe were the main source regions of our overseas P&C reinsurance business, representing 35.2%, 32.6% and 28.3% of its total gross written premiums, respectively. In 2017, we achieved good progress through active business development in the Asia-Pacific region and our business in Asia accounted for a significantly larger proportion, as compared with that of last year. The shares of premiums in North America and Europe changed as, on the one hand, we stepped up our efforts to develop business in North America and, on the other hand, the place of registration of specific strategic customers changed from Europe to North America.

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

*Unit: in RMB millions, except for percentages*

Source region of business	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
North America	1,187	35.2	310	11.3
Asia	1,100	32.6	770	28.0
Europe	954	28.3	1,594	58.1
Latin America	61	1.8	50	1.8
Oceania	60	1.8	11	0.4
Africa	12	0.3	11	0.4
<b>Total</b>	<b>3,374</b>	<b>100.0</b>	<b>2,746</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

In terms of service ability, we started to provide our quotation service in the Asia-Pacific region gradually, and our service quality became more recognised by customers. Leveraging on the international talents and technology advantages of overseas platform as well as years of experience in international business operation, we were able to better serve domestic customers in China by providing more products and international cooperation practice of reinsurance business, and thus our advantages of the synergy between domestic and overseas business could be well taken.

## **CNIP Business**

The Group Company, together with China Re P&C and China Continent Insurance, underwrites global nuclear insurance business via CNIP. In 2017, our reinsurance premium income from CNIP amounted to RMB96 million.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

	2017	2016	Change (%)
Gross written premiums	25,239	24,457	3.2
Less: premiums ceded to retrocessionaires	(781)	(558)	40.0
Net written premiums	24,458	23,899	2.3
Change in unearned premium reserves	30	1,744	(98.3)
Net premiums earned	24,488	25,643	(4.5)
Reinsurance commission income	98	82	19.5
Investment income	2,101	2,081	1.0
Exchange gains/(losses), net	197	(119)	—
Other income	52	11	372.7
Total income	26,936	27,698	(2.8)
Claims and policyholders' benefits	(15,033)	(15,897)	(5.4)
Handling charges and commissions	(9,820)	(9,327)	5.3
Finance costs	(40)	(2)	1,900.0
Other operating and administrative expenses	(607)	(407)	49.1
Total benefits, claims and expenses	(25,500)	(25,633)	(0.5)
Share of profits of associates	57	10	470.0
Profit before tax	1,493	2,075	(28.0)
Income tax	(197)	(225)	(12.4)
Net profit	1,296	1,850	(29.9)

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Gross Written Premiums**

Gross written premiums for our P&C reinsurance segment increased by 3.2% from RMB24,457 million in 2016 to RMB25,239 million in 2017, mainly due to the growth of domestic reinsurance business from liability insurance and engineering insurance, and overseas P&C reinsurance business.

## **Premiums Ceded to Retrocessionaires**

Premiums ceded to retrocessionaires for our P&C reinsurance segment increased by 40.0% from RMB558 million in 2016 to RMB781 million in 2017, mainly due to the increase in the overseas outward retrocession in 2017 in order to achieve better risk diversification.

## **Investment Income**

Investment income for our P&C reinsurance segment increased by 1.0% from RMB2,081 million in 2016 to RMB2,101 million in 2017. For details of analysis on changes of investment income, please refer to relevant contents in the asset management business segment.

## **Claims and Policyholders' Benefits**

Claims and policyholders' benefits for our P&C reinsurance segment decreased by 5.4% from RMB15,897 million in 2016 to RMB15,033 million in 2017, which was in line with the decrease in net premiums earned.

## **Handling Charges and Commissions**

Handling charges and commissions for our P&C reinsurance segment increased by 5.3% from RMB9,327 million in 2016 to RMB9,820 million in 2017, which was in line with the increase in gross written premiums.

## **Share of Profits of Associates**

Share of profits of associates for our P&C reinsurance segment increase by 470.0% from RMB10 million in 2016 to RMB57 million in 2017, mainly due to the increase in the net profit of associates.

## **Net Profit**

As a result of the foregoing reasons, net profit for our P&C reinsurance segment decreased by 29.9% from RMB1,850 million in 2016 to RMB1,296 million in 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## LIFE AND HEALTH REINSURANCE

The businesses of life and health reinsurance segment comprise the life and health reinsurance business operated by China Re Life, and the life and health reinsurance business operated by the Group Company through China Re Life. In 2017, under the regulatory guideline of strict regulation, risk prevention, refocusing on protection function and serving the real economy, the domestic life insurance market has entered into a new stage of transformation and development, and there was a continued downturn in sales of RMB-denominated policies in Hong Kong life insurance market. We took initiative to adjust the market and product strategy promptly, and achieved significant growth in reinsurance premium volume by expediting the development of domestic protection-type and savings-type business, while seeking opportunities to develop financial reinsurance. China Re Life has a stable position in domestic market and the cross-border RMB-denominated reinsurance market in Hong Kong, with around 80% of all of its reinsurance contracts being entered into as a lead reinsurer.

In 2017, reinsurance premium income from our life and health reinsurance segment amounted to RMB44,311 million, representing a year-on-year increase of 41.3%, accounting for 41.5% of gross written premiums of the Group (before inter-segment eliminations). Net profit of the segment amounted to RMB1,898 million, and weighted average return on equity reached 9.51%, of which reinsurance premium income from China Re Life amounted to RMB44,209 million, representing a year-on-year increase of 41.5%; total written premiums (“TWP”) amounted to RMB45,204 million (including TWPs of RMB995 million for savings-type universal life reinsurance), representing a year-on-year increase of 30.9%.

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

### Business Analysis

In terms of business lines, our life and health reinsurance business achieved a rapid development of protection-type reinsurance, savings-type reinsurance and financial reinsurance.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

Business lines	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic protection-type reinsurance	7,119	16.1	5,237	16.8
Domestic savings-type reinsurance	9,581	21.7	2,980	9.5
Domestic financial reinsurance	23,826	53.9	17,257	55.2
<b>Domestic in total</b>	<b>40,526</b>	<b>91.7</b>	<b>25,474</b>	<b>81.5</b>
Overseas savings-type reinsurance	3,194	7.2	5,027	16.1
Other overseas business	489	1.1	750	2.4
<b>Overseas in total</b>	<b>3,683</b>	<b>8.3</b>	<b>5,777</b>	<b>18.5</b>
<b>Total</b>	<b>44,209</b>	<b>100.0</b>	<b>31,251</b>	<b>100.0</b>

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

Universal life reinsurance	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic savings-type universal life reinsurance	300	30.2	1,950	59.4
Overseas savings-type universal life reinsurance	695	69.8	931	28.4
Other savings-type business	—	—	400	12.2
<b>Total</b>	<b>995</b>	<b>100.0</b>	<b>3,281</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Domestic Life and Health Reinsurance

In 2017, TWPs from our domestic life and health reinsurance business amounted to RMB40,826 million, representing a year-on-year increase of 46.7%, of which reinsurance premium income amounted to RMB40,526 million, representing a year-on-year increase of 59.1%.

In respect of protection-type reinsurance business, reinsurance premium income amounted to RMB7,119 million in 2017, representing a year-on-year increase of 35.9%. Reinsurance premium income from the yearly renewable term reinsurance business (i.e., “YRT” reinsurance business, which is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate) with higher value contribution amounted to RMB4,420 million, representing a year-on-year increase of 42.6%, accounting for 62.1% of reinsurance premium income from protection-type reinsurance business. We increased our efforts in the promotion of “Data+” and “Technology+” strategy, continuously strengthened data analysis to guide the business strategies and support pricing. We expanded the business of long-term protection-type products including mid-end medical care and private accident insurance for drivers and passengers of private-owned motor vehicles, facilitated the risk control and product upgrade of critical illness and cancer insurance, and deepened the cooperation and communication with key customers. Our business achieved a rapid growth and optimization in both premium volume and business structure.

In respect of savings-type reinsurance business, TWPs amounted to RMB9,881 million in 2017, representing a year-on-year increase of 85.4%. We grasped the implications of the new regulatory policies regarding life insurance products and seized the opportunity of asset allocation. We expanded our domestic savings-type business with effective support from investment. We ensured our profitability, met customers’ demand for comprehensive reinsurance service, and facilitated the development of domestic savings-type business.

In respect of financial reinsurance business, the reinsurance premium income amounted to RMB23,826 million in 2017, representing a year-on-year increase of 38.1%. We promptly followed up with the updated regulatory requirements to provide optimised and innovative financial reinsurance solutions. We conducted detailed analysis on customers’ demand, formulated customized solutions, implemented effective control of credit risk, and promoted the development of financial reinsurance business.

## Overseas Life and Health Reinsurance

In 2017, under the impact of continued downturn in sales of RMB-denominated policies in Hong Kong market, the premiums of new RMB-denominated policies of overall Hong Kong market decreased by 69% year on year, according to statistics disclosed by Hong Kong Insurance Authority. Under such challenge, we formulated the business strategy of “simultaneous development of existing business and new business and collaborative development of RMB-denominated business and foreign currency denominated business”, carried out in-depth analysis on customer and product strategies, and deepened overseas business cooperation and communication.

In respect of overseas life and health reinsurance, TWPs amounted to RMB4,378 million, representing a year-on-year decrease of 34.7%, of which reinsurance premium income amounted to RMB3,683 million, representing a year-on-year decrease of 36.2%. For overseas savings-type reinsurance business, TWPs amounted to RMB3,889 million, representing a year-on-year decrease of 34.7%. For other overseas business, reinsurance premium income amounted to RMB489 million, representing a year-on-year decrease of 34.8%.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: in RMB millions, except for percentages*

Type of reinsurance arrangement	For the year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Treaty reinsurance	44,012	99.6	30,979	99.1
Facultative reinsurance	197	0.4	272	0.9
<b>Total</b>	<b>44,209</b>	<b>100.0</b>	<b>31,251</b>	<b>100.0</b>

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 year ended 31 December			
	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Proportional reinsurance	44,173	99.9	31,201	99.8
Non-proportional reinsurance	36	0.1	50	0.2
<b>Total</b>	<b>44,209</b>	<b>100.0</b>	<b>31,251</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

Insurance product type	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Life	36,849	83.4	25,294	81.0
Health	5,061	11.4	3,732	11.9
Accident	2,299	5.2	2,225	7.1
<b>Total</b>	<b>44,209</b>	<b>100.0</b>	<b>31,251</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

	2017	2016	Change (%)
Gross written premiums	44,311	31,366	41.3
Less: premiums ceded to retrocessionaires	(2,225)	(1,806)	23.2
Net written premiums	42,086	29,560	42.4
Change in unearned premium reserves	(547)	(762)	(28.2)
Net premiums earned	41,539	28,798	44.2
Reinsurance commission income	469	412	13.8
Investment income	3,418	3,355	1.9
Exchange (losses)/gains, net	(141)	149	—
Other income	717	310	131.3
Total income	46,002	33,024	39.3
Claims and policyholders' benefits	(41,933)	(30,519)	37.4
Handling charges and commissions	(1,647)	(766)	115.0
Finance costs	(90)	(99)	(9.1)
Other operating and administrative expenses	(865)	(801)	8.0
Total benefits, claims and expenses	(44,535)	(32,185)	38.4
Share of profits of associates	923	791	16.7
Profit before tax	2,390	1,630	46.6
Income tax	(492)	(256)	92.2
Net profit	1,898	1,374	38.1



# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Gross Written Premiums**

Gross written premiums for our life and health reinsurance segment increased by 41.3% from RMB31,366 million in 2016 to RMB44,311 million in 2017, mainly due to the rapid growth in domestic savings-type reinsurance, domestic financial reinsurance, and domestic protection-type reinsurance business.

## **Premiums Ceded to Retrocessionaires**

Premiums ceded to retrocessionaires for our life and health reinsurance segment increased by 23.2% from RMB1,806 million in 2016 to RMB2,225 million in 2017, mainly due to the growth in outward retrocessions from the protection-type reinsurance business.

## **Investment Income**

Investment income for our life and health reinsurance segment increased by 1.9% from RMB3,355 million in 2016 to RMB3,418 million in 2017. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

## **Claims and Policyholders' Benefits**

Claims and policyholders' benefits for our life and health reinsurance segment increased by 37.4% from RMB30,519 million in 2016 to RMB41,933 million in 2017, mainly due to the changes in financial reinsurance business.

## **Handling Charges and Commissions**

Handling charges and commissions for our life and health reinsurance segment increased by 115.0% from RMB766 million in 2016 to RMB1,647 million in 2017, mainly due to the changes in financial reinsurance business.

## **Share of Profits of Associates**

Share of profits of associates for our life and health reinsurance segment increased by 16.7% from RMB791 million in 2016 to RMB923 million in 2017, mainly due to the increase in investment in associates in 2017.

## **Net Profit**

As a result of the foregoing reasons, net profit for our life and health reinsurance segment increased by 38.1% from RMB1,374 million in 2016 to RMB1,898 million in 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## PRIMARY P&C INSURANCE

Primary P&C insurance business refers to the property and casualty insurance business operated by China Continent Insurance. In 2017, we fully promoted the strategic transformation and established an integrated customer-oriented operation system. We actively responded to the intensified market-oriented reform of commercial motor insurance rates, increased our efforts in the development of non-motor insurance business such as personal loan surety insurance, and maintained rapid growth in gross written premium. We adhered to facilitating the development through innovation, and continued to improve our ability of technology innovation and application. The application of innovative technology saw positive results in terms of cost control and claims settlement.

In 2017, gross written premiums from our primary P&C insurance segment amounted to RMB37,268 million, representing a year-on-year increase of 16.2% and accounting for 34.9% of gross written premiums of the Group (before inter-segment eliminations), of which the primary premium income was RMB37,123 million, representing a year-on-year increase of 16.2%. Net profit of the segment amounted to RMB1,170 million, and weighted average return on equity reached 8.43%. The combined ratio was 99.9%, of which loss ratio was 55.9% and expense ratio was 44.0%. According to the primary premium income from P&C insurance companies in 2017 as published by the CIRC, the market share of our primary P&C insurance business segment reached 3.52%, representing a year-on-year increase of 0.07 percentage points.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Analysis

### Analysis by Line of Business

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

Line of Business	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Motor	27,301	73.5	25,168	78.8
Accident and Short-term Health	3,169	8.5	2,459	7.7
Surety	2,623	7.1	1,181	3.7
Liability	1,326	3.6	1,042	3.3
Commercial Property	941	2.5	880	2.8
Engineering	401	1.1	335	1.0
Others <sup>1</sup>	1,362	3.7	893	2.7
<b>Total</b>	<b>37,123</b>	<b>100.0</b>	<b>31,958</b>	<b>100.0</b>

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

### Motor Insurance

In 2017, primary premium income from our motor insurance amounted to RMB27,301 million, representing a year-on-year increase of 8.5%. In 2017, we continued to push forward the strategy of “identifying, controlling and introducing”, further specified pricing factors and strengthened our ability of precise risk identification, resulting in the continuous improvement in business quality of motor insurance.

### Accident and Short-term Health Insurance

In 2017, primary premium income from accident and short-term health insurance amounted to RMB3,169 million, representing a year-on-year increase of 28.9%, of which primary premium income from accident insurance amounted to RMB1,728 million, representing a year-on-year increase of 20.5%; primary premium income from short-term health insurance (excluding critical illness insurance) amounted to RMB1,074 million, representing a year-on-year increase of 35.9%; primary premium income from critical illness insurance amounted to RMB367 million, representing a year-on-year increase of 56.2%. Our “Motor + Personal Accident” business maintained rapid growth. On top of strengthening risk control, we continued to expand the Million Medical Care, overseas birth-giving and other personal health insurance businesses, and actively promoted critical illness insurance for urban and rural residents, and employee supplemental medical insurance, so as to assume the function of insurance serving the society.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Surety Insurance**

In 2017, primary premium income from surety insurance amounted to RMB2,623 million, representing a year-on-year increase of 122.1%. We continued to develop the personal loan surety insurance business, continuously explored innovative products, channels, technologies and development models. In 2017, we opened 127 stores under the personal loan surety insurance business, covering 73 cities in 26 provinces. The risk control was at a good level, with a bad debt ratio of 4.81%.

## **Liability Insurance**

In 2017, primary premium income from liability insurance amounted to RMB1,326 million, representing a year-on-year increase of 27.3%. We captured the insurance opportunities from the changes in government management functions, and made great efforts in pushing forward the development of innovative business including compulsory safe production liability insurance, construction and residential projects quality liability insurance, first pilot equipment scheme comprehensive insurance and litigation property preservation liability insurance, achieving rapid growth in liability insurance business.

## **Commercial Property Insurance**

In 2017, primary premium income from commercial property insurance amounted to RMB941 million, representing a year-on-year increase of 6.9%. We actively seized the development opportunities brought by the deepening of supply-side structural reform, actively exploited large customers and big projects, and increased business engagement and marketing power. Under the premise of strengthened risk management and control, our commercial property insurance business grew faster than market average.

## **Engineering Insurance**

In 2017, primary premium income from engineering insurance amounted to RMB401 million, representing a year-on-year increase of 19.7%. We established a tracking mechanism for major engineering projects, made early preparations, and maintained a high participation and winning rate. Our engineering insurance business achieved good development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis by Distribution Channel

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

*Unit: in RMB millions, except for percentages*

Distribution Channel	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Insurance agents	21,890	59.0	17,179	53.8
Of which: Individual insurance agents	13,914	37.6	9,567	29.9
Ancillary insurance agencies	4,247	11.4	4,844	15.2
Professional insurance agencies	3,729	10.0	2,768	8.7
Direct sales	13,206	35.6	13,114	41.0
Insurance brokers	2,027	5.4	1,665	5.2
<b>Total</b>	<b>37,123</b>	<b>100.0</b>	<b>31,958</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis by Region

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

Region	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	4,545	12.2	2,943	9.2
Zhejiang	3,070	8.3	2,564	8.0
Shandong	3,049	8.2	2,780	8.7
Yunnan	2,785	7.5	2,458	7.7
Guangdong	1,942	5.2	1,690	5.3
Inner Mongolia	1,743	4.7	1,478	4.6
Jiangsu	1,548	4.2	1,373	4.3
Jiangxi	1,285	3.5	1,097	3.4
Hebei	1,254	3.4	1,044	3.3
Anhui	1,224	3.3	1,152	3.6
Others	14,678	39.5	13,379	41.9
<b>Total</b>	<b>37,123</b>	<b>100.0</b>	<b>31,958</b>	<b>100.0</b>

## Combined Ratio

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

**For the year ended 31 December**

	2017	2016
Loss ratio (%)	55.9	52.5
Expense ratio (%)	44.0	47.3
<b>Combined ratio (%)</b>	<b>99.9</b>	<b>99.8</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

*Unit: in RMB millions, except for percentages*

**For the year ended 31 December**

	2017	2016	Change (%)
Gross written premiums	37,268	32,071	16.2
Less: Premiums ceded to reinsurers	(2,876)	(2,391)	20.3
Net written premiums	34,392	29,680	15.9
Change in unearned premium reserves	(2,134)	(1,417)	50.6
Net premiums earned	32,258	28,263	14.1
Reinsurance commission income	1,006	680	47.9
Investment income	1,758	1,330	32.2
Exchange (losses)/gains, net	(91)	102	—
Other income	171	127	34.6
Total income	35,102	30,502	15.1
Claims and policyholders' benefits	(18,012)	(14,822)	21.5
Handling charges and commissions	(5,810)	(4,114)	41.2
Finance costs	(20)	(6)	233.3
Other operating and administrative expenses	(9,689)	(9,996)	(3.1)
Total benefits, claims and expenses	(33,531)	(28,938)	15.9
Share of profits of associates	15	5	200.0
Profit before tax	1,586	1,569	1.1
Income tax	(416)	(325)	28.0
Net profit	1,170	1,244	(5.9)

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Gross Written Premiums**

Gross written premiums for our primary P&C insurance segment increased by 16.2% from RMB32,071 million in 2016 to RMB37,268 million in 2017, mainly due to the rapid growth of motor insurance and non-motor insurance businesses, including personal loan surety insurance, accident and short-term health insurance and liability insurance, etc.

## **Premiums Ceded to Reinsurers**

Premiums ceded to reinsurers for our primary P&C insurance segment increased by 20.3% from RMB2,391 million in 2016 to RMB2,876 million in 2017, mainly due to the increase in premiums ceded as a result of the growth in business scale.

## **Reinsurance Commission Income**

Reinsurance commission income for our primary P&C insurance segment increased by 47.9% from RMB680 million in 2016 to RMB1,006 million in 2017, mainly due to (i) the continuous increase in premiums ceded, and (ii) the improvement in claims settlement in reinsurance contracts in 2016 and 2017 as compared with 2015.

## **Investment Income**

Investment income for our primary P&C insurance segment increased by 32.2% from RMB1,330 million in 2016 to RMB1,758 million in 2017. For details of analysis on changes of investment income, please refer to relevant contents in asset management business segment.

## **Claims and Policyholders' Benefits**

Claims and policyholders' benefits for our primary P&C insurance segment increased by 21.5% from RMB14,822 million in 2016 to RMB18,012 million in 2017, mainly due to the continuous growth in business scale which led to an increase in claims.

## **Handling Charges and Commissions**

Handling charges and commissions for our primary P&C insurance segment increased by 41.2% from RMB4,114 million in 2016 to RMB5,810 million in 2017, mainly due to the continuous growth in business scale, as well as the increased resources input for quality business and major distribution channel.

## **Net Profit**

As a result of the foregoing reasons, net profit for our primary P&C insurance segment decreased by 5.9%, from RMB1,244 million in 2016 to RMB1,170 million in 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## ASSET MANAGEMENT

The Group principally commissions China Re AMC to manage its investment assets. In 2017, we continued to adhere to the philosophy of a stable, prudent and long-term investment. We strengthened proactive management and enhanced risk control. We pushed forward the optimization of assets portfolio of the public market and adjustment of real estate investments, strengthened the allocation of financial products and made efforts to increase investment income. We actively promoted synergies between investment business and insurance business to carry out business transformation.

As at the end of the Reporting Period, the total investment assets balance of the Group was RMB188,456 million, including RMB170,798 million under the management of China Re AMC. In addition, China Re AMC managed third party assets under commissions of RMB37,888 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 31 December 2017		As at 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Cash and short-term time deposits	10,754	5.7	16,833	10.1
Fixed-income investments	126,727	67.2	107,603	64.3
Time deposits	5,240	2.8	13,505	8.1
Bonds	70,276	37.3	48,868	29.2
Government bonds	756	0.4	143	0.1
Financial bonds	13,641	7.2	11,299	6.7
Enterprise (corporate) bonds	47,519	25.3	28,881	17.3
Subordinated bonds	8,360	4.4	8,545	5.1
Investments classified as loans and receivables	32,871	17.4	25,894	15.5
Other fixed-income Investments <sup>1</sup>	18,340	9.7	19,336	11.5
Equity and investment funds	41,062	21.8	30,092	17.9
Investment funds <sup>2</sup>	16,000	8.5	14,526	8.7
Stocks	17,473	9.3	12,776	7.6
Derivatives	192	0.1	38	0.0
Unlisted equity shares <sup>3</sup>	7,397	3.9	2,752	1.6
Investment properties	2,748	1.5	3,122	1.9
Investments in associates	14,876	7.9	12,451	7.4
Less: securities sold under agreements to repurchase	(7,711)	(4.1)	(2,738)	(1.6)
<b>Total investment assets</b>	<b>188,456</b>	<b>100.0</b>	<b>167,363</b>	<b>100.0</b>

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

In 2017, we optimised the allocation structure by actively capturing the opportunities arising from the significant adjustment in the bond market, increasing allocation to high-quality mid-to-long-term bonds by over RMB23,000 million.

# 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 year ended 31 December	
	2017	2016
Cash and fixed-income investments	5,818	5,879
Interest income	5,865	5,703
Realised (losses)/gains	(71)	191
Unrealised gains/(losses)	24	(15)
Impairment losses	—	—
Equity and investment funds	1,857	1,004
Dividend income	742	1,286
Realised gains	1,472	389
Unrealised gains	244	126
Impairment losses	(601)	(797)
Rental income from investment properties	22	43
Gains on disposal of investment properties	732	—
Investment income from investment in associates	2,462	2,259
Less: interest expenses on securities sold under agreements to repurchase	(191)	(137)
Total investment income	10,700	9,048
Total investment yield (%) <sup>1</sup>	6.01	5.48
Net investment income	8,260	8,479
Net investment yield (%) <sup>2</sup>	4.64	5.13

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

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

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

2. Net investment yield = Net investment income ÷ 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

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In 2017, our total investment yield on a consolidated basis was 6.01%, representing a year-on-year increase of 0.53 percentage points; our total investment income amounted to RMB10,700 million, representing a year-on-year increase of 18.3%. The main reasons for the increase in total investment income are as follows: (i) the average size of our total investment assets recorded a year-on-year increase of 7.7%; (ii) we proactively seized the opportunities of allocation and strengthened active management, resulting in a significant year-on-year increase in investment gains from equity and investment funds; and (iii) we recorded a one-off gain of RMB732 million on the disposal of investment property (Shanghai World Plaza). For details, please refer to the section headed “Major Events”.

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

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

In 2017, China Everbright Bank maintained a relatively stable profitability. As at 31 December 2017, China Re Group held approximately 4.42% of China Everbright Bank’s equity share in aggregate. China Everbright Bank is expected to bring us long-term and stable investment returns in the future.

## INSURANCE INTERMEDIARY

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

In 2017, revenue from insurance intermediary business amounted to RMB259 million, representing a year-on-year increase of 14.1%. The revenue from the business during the year has maintained a stable growth. Profit before tax amounted to RMB1.146 million, representing a year-on-year decrease of 84.8%, mainly due to the significant increase in workplace rental expense in 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SOLVENCY

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

*Unit: in RMB millions, except for percentages*

	As at 31 December 2017	As at 31 December 2016	Change (%)
<b>China Re Group</b>			
Core capital	55,465	61,396	(9.7)
Available capital	55,465	61,396	(9.7)
Minimum capital	28,145	23,822	18.1
Core solvency adequacy ratio (%)	197	258	Decrease of 61 percentage points
Aggregated solvency adequacy ratio (%)	197	258	Decrease of 61 percentage points
<b>Group Company</b>			
Core capital	54,157	60,089	(9.9)
Available capital	54,157	60,089	(9.9)
Minimum capital	9,857	7,470	32.0
Core solvency adequacy ratio (%)	549	804	Decrease of 255 percentage points
Aggregated solvency adequacy ratio (%)	549	804	Decrease of 255 percentage points
<b>China Re P&amp;C</b>			
Core capital	18,003	17,789	1.2
Available capital	18,003	17,789	1.2
Minimum capital	8,243	8,503	(3.1)
Core solvency adequacy ratio (%)	218	209	Increase of 9 percentage points
Aggregated solvency adequacy ratio (%)	218	209	Increase of 9 percentage points
<b>China Re Life</b>			
Core capital	17,425	15,745	10.7
Available capital	17,425	15,745	10.7
Minimum capital	7,461	6,109	22.1
Core solvency adequacy ratio (%)	234	258	Decrease of 24 percentage points
Aggregated solvency adequacy ratio (%)	234	258	Decrease of 24 percentage points
<b>China Continent Insurance</b>			
Core capital	13,360	12,986	2.9
Available capital	13,360	12,986	2.9
Minimum capital	5,007	4,488	11.6
Core solvency adequacy ratio (%)	267	289	Decrease of 22 percentage points
Aggregated solvency adequacy ratio (%)	267	289	Decrease of 22 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

Compared with the end of 2016, the solvency adequacy ratio of China Re Group decreased to a certain extent, mainly due to the fact that China Re Group recorded rapid growth. In particular, the solvency adequacy ratio of the Group Company decreased significantly, mainly due to the internal retrocession arrangement. The solvency adequacy ratio of China Re P&C and China Continent Insurance remained stable and that of China Re Life decreased mainly due to the rapid growth of its business.

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 fourth quarter of 2017 of the Company and its subsidiaries, namely China Re P&C, China Re Life and China Continent Insurance, will be disclosed on their respective official websites and the website of Insurance Association of China in due course. Shareholders and investors are advised by the Board to pay attention to the following key operation indicators extracted from the Summary of Solvency Report as of the end of the fourth quarter of 2017:

*Unit: in RMB millions*

Indicators	Entities			
	Group Company	China Re P&C	China Re Life	China Continent Insurance
<b>As at 31 December 2017</b>				
Net assets	57,117	18,031	14,217	14,224
<b>For the year ended 31 December 2017</b>				
Insurance income	898	23,163	44,209	37,268
Net profit	3,528	734	1,568	1,170

For viewing of the Summary of Solvency Report for the fourth 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

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## EXCHANGE RATE FLUCTUATION RISK

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

## DETAILS OF ASSETS CHARGED

As at 31 December 2017, the market value of RMB14,844 million bonds (31 December 2016: RMB10,335 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within three months from the date the securities are sold.

## CONTINGENCIES

As at 31 December 2017, the Group has issued the following guarantees:

As at 31 December 2017, the Group Company provided maritime guarantee of RMB2,313 million (31 December 2016: RMB2,258 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.

China Re UK Limited, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 at the end of 2011. As at 31 December 2017, the Group Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP125 million (31 December 2016: GBP90 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

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## MAJOR EVENTS

### Material Litigation and Arbitration

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

### Material Connected Transactions

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

In addition, the related-party transactions set out in Note 53 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. For details of the relevant undertakings, please refer to the sections headed "Substantial Shareholders" and "Share Capital" in the Prospectus.

### Other Major Events

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

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

To optimise the real estate structure and enhance investment income on real estate, according to the Disposal Plan of Shanghai World Plaza considered and approved by the Board on 21 July 2015, the Company listed and transferred its equity in Shanghai World Plaza on Shanghai United Assets and Equity Exchange on 15 March 2017. On 28 April 2017, relevant potential bidders participated in the internet bidding and the final transaction price amounted to RMB1,223 million. On 30 June 2017, the parties to the transaction completed the delivery of property rights. The Group recognised the above investment income in the financial report for 2017 with the gain on disposal amounting to RMB732 million, details of which are set out in Note 7(b) to the financial statements.

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

#### Introduction of Strategic Investors by China Continent Insurance through Capital Increase

In order to ensure the smooth achievement of strategic target for future development and adequate solvency, China Continent Insurance proposed to introduce strategic investors by issuing new shares and increasing the registered capital. On 28 March 2018, the Board considered and approved the "Proposal on China Continent Insurance Co., Ltd. Introducing Strategic Investors by Capital Increase." On 2 April 2018, China Continent Insurance entered into the Share Subscription Agreement with the strategic investors. Please refer to the Company's announcement dated 28 March 2018 and 3 April 2018 published on the websites of the Hong Kong Stock Exchange and the Company for details of the Issuance.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## PROSPECTS

### Market Environment

Looking forward to 2018, China's macro-economy will continue to seek progress while maintaining stability. Risk prevention, deleveraging and strict supervision will be the main guidance of macroeconomic policies. As for the insurance industry, opportunities and challenges will coexist. Insurance market's competition will be further intensified, and competitive landscape will be reshaped. The integration of new technology and new business model will make an impact on the development of the industry, which will become the dominant force in the transformation of the insurance business model.

For the primary P&C insurance market, it is expected that the industry growth rate will slow down while opportunities in structural development will continue to emerge. On one hand, affected by the drop in growth rate of new car sales and the market-oriented reform of commercial motor insurance rates, the growth of motor insurance premium in the industry will further slow down. As a result, it will increase the requirements of risk identification, and the comprehensive cost management and control ability for the operating entities. On the other hand, under the transformation and promotion of the society's economic and social conditions, as well as national strategic guidance and supportive policy guidelines, there will be sufficient room for the innovation of non-motor insurance products and sales channel, and non-motor insurance will embrace with new development opportunities.

For the primary life and health insurance market, under the guidance of "strict supervision and risk prevention" policy, the industry will refocus on protection function and enter a period of deepening transformation and development. The long-term savings-type and long-term protection-type life and health insurance businesses will develop with fast pace. Businesses such as critical illness insurance, mid-end medical care insurance and long-term care insurance will be faced with new development opportunities. Short-terms savings-type life and health insurance business will experience a trend of rapid decline.

For the P&C reinsurance market, it is expected that the domestic market will undergo a critical period of business transformation. The proportion of non-motor reinsurance businesses will further increase. Reinsurance businesses from liability insurance, guarantee insurance and accident and health insurance are expected to maintain rapid growth; innovative businesses such as construction inherent defects insurance and cyber security insurance are expected to experience accelerated growth. Service capabilities and innovation capabilities are increasingly becoming an important means of competition in the reinsurance market. Affected by the catastrophic losses in 2017, the rates of the overseas P&C reinsurance market have rebounded, however, capital supply remains abundant, the increase range will be limited, mergers and acquisitions and strategic cooperation will be relatively active.

For the life and health reinsurance market, the opportunities and challenges in the domestic market will coexist and competition will intensify. The proportion of health insurance in traditional protection-type business will continue to increase. Product development and service innovation with data, technology and service as the core will continue to be important ways to attain new protection-type business. The market's demand for customized reinsurance services and comprehensive reinsurance solutions will continue to grow. For overseas markets, the RMB exchange rate will generally be stable under two-way fluctuations. The RMB business development will be limited, while there will be good opportunities for development of foreign currency denominated businesses.

# MANAGEMENT DISCUSSION AND ANALYSIS

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For the deployment of insurance funds and the development of capital markets, prevention of financial risks will be an important policy guideline for the insurance industry. Regulatory rules and regulations will be gradually improved. The insurance asset management business will be further regulated. As the policy guidance of deleveraging, removing multi-layer of vehicles and de-channeling is clear, along with the gradual withdrawal of global quantitative easing policies, the liquidity risk and credit risk will be increased. The deployment of insurance funds will be faced with further challenges.

## Outlook of China Re Group

In 2018, under the guidance of the “One-Three-Five” Strategy, the Group will actively capture development opportunities of the industry, adhere to the general principle of seeking progress while maintaining stability, and further strengthen the advantages of data, technology and services to build core competitiveness. We will also accelerate transformation and upgrading of operations to ensure high-quality business development on the premise of strict risk control, and consolidate and continue to enhance the market position.

For the P&C reinsurance, we will strive to promote the optimization and transformation of our business structure. We will maintain stable performance for business with traditional advantages, consolidate the market position of core businesses, and rapidly promote the development of non-motor reinsurance business. We will also accelerate the expansion into emerging business sectors, and seize the new opportunities arising from industry-leading business platforms, so as to create partial first-mover advantages with innovation. We will also adhere to be customer-oriented, promote the innovation in the management and operation mechanism, and comprehensively improve customer service through resources integration. We will actively develop the offshore business platform, and promote the establishment of a new collaborative and complementary pattern at home and abroad.

For the life and health reinsurance business, we will continue to strengthen the “Data+” and “Technology+” Strategy. We will further increase the resource allocation to product innovation, speed up the integration of the health management business, and enhance the application and platform services of digital technology, in order to realize a more rapid growth of protection-type business. We will further consolidate the technical advantages of comprehensive reinsurance solutions and provide customized reinsurance services. We will continue to promote the steady development of overseas businesses and achieve business expansion in diversified markets.

For the primary P&C insurance business, we will further promote the implementation of the customer-oriented comprehensive operation model. We will precisely identify the diverse needs of individual clients and group clients, and improve clients’ experience through the provision of smart services. We will continue to deepen the construction of channel specialization, and strengthen the consolidation of offline and online resources. We will comprehensively improve the operation management of information technology, and enable quick response for product personalization with a focus on the core system reconstruction, transformation and upgrade.

For the asset management business, we will continue to strengthen the asset and liability management, optimize the allocations of assets, and adhere to the risk control. We will further strengthen our abilities in investment, risk control and operation management, and thereby achieving long-term, stable and reasonable investment income with our continuous efforts.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

Name	Month and Year of Birth	Position	Date of appointment	Duties
Yuan Linjiang	December 1963	Executive Director and Chairman	May 2016	Responsible for overall management of the Company, overseeing the strategic development department, the human resources department (party organisation department)
He Chunlei	April 1965	Executive Director	February 2017	Presiding over the management of the Company's business, responsible for overseeing the operation and planning management department, the information technology department, the strategic customer department, and assisting in overseeing the strategic development department
Ren Xiaobing	July 1967	Executive Director	August 2012	Responsible for overseeing the risk management department, the internal control, compliance and legal affairs department and the party committee affairs
Lu Xiuli	May 1964	Non-executive Director	December 2014	Responsible for overseeing the overall strategic planning of the Company
Shen Shuhai	March 1959	Non-executive Director	December 2014	Responsible for overseeing the overall strategic planning of the Company
Wang Jun	June 1972	Independent Non-executive Director	June 2011	Responsible for overseeing and providing independent judgment to the Board of Directors
Hao Yansu	July 1958	Independent Non-executive Director	December 2014	Responsible for overseeing and providing independent judgment to the Board of Directors

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Month and Year of Birth	Position	Date of appointment	Duties
Li Sanxi	March 1964	Independent Non-executive Director	December 2014	Responsible for overseeing and providing independent judgment to the Board of Directors
Mok Kam Sheung	December 1959	Independent Non-executive Director	August 2015	Responsible for overseeing and providing independent judgment to the Board of Directors

- Notes:
1. On 20 January 2017, the shareholders' general meeting of the Company approved Mr. Zhang Hong's ceasing to be an executive Director of the Company.
  2. On 20 January 2017, Mr. He Chunlei was elected at the shareholders' general meeting of the Company as an executive Director of the third session of the Board, with effect from his qualification as a Director being approved by the CIRC on 28 February 2017.
  3. On 9 February 2018, the shareholders' general meeting of the Company approved Mr. Wang Pingsheng's ceasing to be an executive Director of the Company.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Supervisors

Name	Month and Year of Birth	Position	Date of appointment	Duties
Zhang Hong	September 1964	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	February 2017	Responsible for overall management of the Board of Supervisors, overseeing the party-masses work department, labour union, the office of the Board of Supervisors of the audit department/office of the Board of Supervisors, assisting in overseeing of the human resources department (party organisation department), temporarily overseeing the general office (party committee office)
Wei Shiping	November 1972	Shareholder Representative Supervisor	June 2011	Responsible for supervising finance affairs and the performance of duties
Zhu Yong	June 1969	Shareholder Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties
Cao Shunming	August 1974	Employee Representative Supervisor	December 2014	Responsible for supervising finance affairs and the performance of duties
Tian Bo	March 1971	Employee Representative Supervisor	July 2016	Responsible for supervising finance affairs and the performance of duties

- Notes: 1. On 28 December 2016, the Board of Supervisors approved Mr. Wang Yonggang's ceasing to be the chairman of the Board of Supervisors and the Supervisor, and the shareholders' general meeting of the Company approved Mr. Wang Yonggang's ceasing to be the Supervisor on 20 January 2017, with effect from 23 February 2017.
2. On 20 January 2017, Mr. Zhang Hong was elected at the shareholders' general meeting of the Company as a Supervisor of the third session of the Board of Supervisors, with effect from his qualification as a Supervisor being approved by the CIRC on 23 February 2017.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## Senior Management

Name	Month and Year of Birth	Position	Date of appointment	Duties
He Chunlei	April 1965	Executive Vice President (assuming the role of President)	March 2017	Please refer to the section headed "Directors" above.
Ren Xiaobing	July 1967	Vice President, Compliance Controller, Chief Risk Officer	Vice President since August 2012, Compliance Controller since June 2015, Chief Risk Officer since January 2017	Please refer to the section headed "Directors" above.
Yu Qing	January 1964	Vice President, Chief Financial Officer	Vice President since March 2009, Chief Financial Officer since June 2017	Responsible for overseeing the management of the office of Board of Directors, the financial management department and the asset management department
Liu Tianyang	February 1961	Audit Controller	May 2013	Responsible for overseeing the management of the disciplinary inspection department (inspection office), the audit affairs of the audit department/office of the Board of Supervisors
Zhao Wei	October 1971	Assistant to the President	September 2015	Responsible for assisting in overseeing the strategic customer department
Zhang Xiaohong	September 1967	Assistant to the President	September 2015	Responsible for assisting in overseeing the operation and planning management department and the party-masses work department

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Month and Year of Birth	Position	Date of appointment	Duties
Tian Meipan	October 1974	Chief Actuary	December 2012	Responsible for performing the relevant duties of the Company's chief actuary
Zhu Xiaoyun	August 1975	Board Secretary, Joint Company Secretary	Joint Company Secretary since April 2017, Board Secretary since June 2017	Responsible for performing the relevant duties of the Company's Board Secretary and joint company secretary

- Notes: 1. On 28 December 2016, Mr. He Chunlei was appointed by the Board as the Executive Vice President to assume the role of President, with effect from his qualification as the general manager being approved by the CIRC on 13 March 2017. From 28 December 2016 to the commencement of the term of office of Mr. He Chunlei as the Executive Vice President, Mr. He Chunlei acted as the President.
2. Ms. Yu Qing has ceased to serve as joint company secretary since 27 April 2017 and has ceased to serve as Board Secretary since 22 June 2017.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

### Directors

#### Executive Directors

**Mr. Yuan Linjiang** (袁臨江), is an executive Director and the Chairman of the Company. He is an economist. Before joining the Company, Mr. Yuan had served as the vice president and chief risk officer of Beijing Branch, and the president of Chongqing Branch of China Everbright Bank; the non-executive director of Agricultural Bank of China; the deputy director of general department (in charge of daily operation), the director of integrated management department and the second banking institution management department of Central Huijin. He served as the general manager and senior managing director of CIC International (Hong Kong) Co., Ltd. Mr. Yuan joined the Company in March 2016. He has been an executive Director and the Chairman of the Company since May 2016. He has also been a director and the chairman of the board of directors of China Continent Insurance and the chairman of CNIP. Mr. Yuan did not hold any directorship in any other listed companies during the past three years. Mr. Yuan obtained a bachelor's degree of economics in business economics from Jiangxi Institute of Finance and Economics (currently known as Jiangxi Finance and Economics University) and a degree of Executive Master of Business Administration from Renmin University of China. Mr. Yuan was accredited as an economist.

**Mr. He Chunlei** (和春雷), is an executive Director and an Executive Vice President (assuming the role of President). Before joining the Company, Mr. He had served in the Economic Research Institute of the Academy of Social Sciences of Shaanxi Province, and the economics post-doctorate mobile station of the Chinese Academy of Social Sciences. Mr. He had served as deputy general manager of China Continent Insurance, vice chairman of the board of the directors and general manager of China Re P&C, the chief executive officer of the international P&C reinsurance business of the Company, he also served as a director and the chairman of the board of directors of China Continent Insurance and Vice President of the Company. Mr. He has been the executive Director of the Company since February 2017 and the Executive Vice President of the Company since March 2017. He has concurrently been a director of China Re AMC, a director and the chairman of the board of directors of China Re P&C and a director and the chairman of the board of directors of China Re Life. Mr. He did not hold any directorship in any other listed companies during the past three years. Mr. He obtained a bachelor's degree in political economics from the Northwest College of Political Science and Law (currently known as Northwest University of Political Science and Law), a master's degree in political economics from the Northwest University and a doctoral degree in economics from the Chinese Academy of Social Sciences.

**Mr. Ren Xiaobing** (任小兵), is an executive Director, Vice President, Compliance Controller and Chief Risk Officer of the Company. Before joining the Company, Mr. Ren served in the People's Bank of China and the CIRC successively. He served as vice president and chief underwriter of Sinosafe General Insurance Co., Ltd., a director of the Company



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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appointed by Central Huijin, and meanwhile, a director of the insurance equity management division of the non-banking department and deputy director of the insurance institutions management department of Central Huijin. Mr. Ren has been an executive Director and Vice President of the Company since August 2012, the Compliance Controller of the Company since June 2015, and the Chief Risk Officer of the Company since January 2017. He has also been the chairman of the board of supervisors of China Re AMC. Mr. Ren did not hold any directorship in any other listed companies during the past three years. Mr. Ren obtained a bachelor's degree of economics in insurance and a certificate of post-graduate study in finance (insurance) from Nankai University.

### Non-executive Directors

**Ms. Lu Xiuli (路秀麗)**, is a non-executive Director of the Company. She is a senior auditor and a certified public accountant (non-practising member) in the PRC. Ms. Lu had served at the department of finance audit of the NAO, where she served as deputy divisional director, divisional director and deputy-departmental level auditor. Since December 2014, Ms. Lu has been appointed as a non-executive Director of the Company. Ms. Lu did not hold any directorship in any other listed companies during the past three years. Ms. Lu obtained a bachelor's degree in finance and a master's degree in international finance from Renmin University of China. Ms. Lu obtained a senior auditor qualification and Chinese certified public accountant (non-practicing member) qualification.

**Mr. Shen Shuhai (申書海)**, is a non-executive Director of the Company. Mr. Shen had served as divisional director of the general affairs division of the asset and capital verification office of the Ministry of Finance, deputy director of the statistics and assessment department of State-owned Assets Administration Bureau, deputy director of the stated-owned capital statistics & assessment department and deputy director and inspector of the customs department of the Ministry of Finance. Since December 2014, Mr. Shen has been appointed as a non-executive Director of the Company. Mr. Shen did not hold any directorship in any other listed companies during the past three years. Mr. Shen obtained a bachelor's degree in finance and a master's degree in finance from Shaanxi Institute of Finance and Economics (currently as Xi'an Jiaotong University), and a doctoral degree in applied economics from Xi'an Jiaotong University.

### Independent Non-executive Directors

**Ms. Wang Jun (王琚)**, is an independent non-executive Director of the Company. Ms. Wang joined the School of Economics and Management of Tsinghua University and served as a teaching assistant and then as a lecturer, and she currently serves as an associate professor of the School of Economics and Management. Since June 2011, Ms. Wang has been appointed as an independent non-executive Director of the Company. Ms. Wang did not hold any directorship in any other listed companies during the past three years. Ms. Wang obtained a bachelor's degree of engineering in computer and applications from Northern Jiaotong University (currently known as Beijing Jiaotong University), a master's degree of economics in political economics from Peking University, and a doctoral degree of economics in quantitative economics from Tsinghua University.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Hao Yansu** (郝演蘇), is an independent non-executive Director of the Company and a professor. Mr. Hao had served as dean of insurance department at Liaoning University, dean of the insurance department of the Central Institute of Finance and Economics, managing director of Hong Kong Zhongqing Insurance and Risk Management Consulting Company (香港中青保險與風險管理顧問公司), and dean of Central University of Finance and Economics, School of Insurance. He has been a director of the Academic Committee of the Central University of Finance and Economics, School of Insurance, an independent director of An Hua Agricultural Property Insurance Company Ltd. and an independent director of Dinghe Property Insurance Co., Ltd. Since December 2014, Mr. Hao has been appointed as an independent non-executive Director of the Company. Mr. Hao did not hold any directorship in any other listed companies during the past three years. Mr. Hao obtained a bachelor's degree of economics in finance from Liaoning Institute of Finance and Economics (currently known as Dongbei University of Finance and Economics).

**Mr. Li Sanxi** (李三喜), is an independent non-executive Director of the Company and a senior auditor. Mr. Li had served at the administrative affairs department and audit research institute of the NAO and Beijing Zhong Tian Heng Certified Public Accountants. Mr. Li has been the chairman of the board of directors of Beijing Zhong Tian Heng Management Consulting Co., Ltd. and general manager of Beijing Zhong Tian Heng Da Engineering Consulting Company. Since December 2014, Mr. Li has been appointed as an independent non-executive Director of the Company. Mr. Li did not hold any directorship in any other listed companies during the past three years. Mr. Li obtained a bachelor's degree of economics in accounting from Lanzhou Commercial College and a Senior Auditor Qualification.

**Ms. Mok Kam Sheung** (莫錦嫦), is an independent non-executive Director of the Company. Ms. Mok has over 21-year working experience of legal affairs. Ms. Mok is now a partner of CFN Lawyers in Hong Kong. Since August 2015, Ms. Mok has been appointed as an independent non-executive Director of the Company. Ms. Mok did not hold any directorship in any other listed companies during the past three years. Ms. Mok obtained a Bachelor of Arts (honours) degree from the University of Plymouth in England, a Common Professional Examination diploma in laws from the University of the West of England. She was also granted a certificate by the Law Society of England and Wales evidencing the passing of the Solicitors' Final Examination. Ms. Mok qualified to practise as a solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales. She was appointed as a China-appointed attesting officer by the Ministry of Justice of the PRC.

### Supervisors

**Mr. Zhang Hong** (張泓), is a Supervisor and Chairman of the Board of Supervisors of the Company, and an economist. Mr. Zhang had served in The People's Insurance Company of China and China Insurance (UK) Co., Ltd. Mr. Zhang joined the Company in January 1996. He had served as President and executive Director of the Company. Mr. Zhang concurrently served as chairman of the board of directors of China Re Life, general manager and chairman of the board of directors of China Re P&C, director of China Continent Insurance, director of China Re AMC and the chairman of CNIP. Since February 2017, he has been a Supervisor and the Chairman of the Board of Supervisors of the Company. Since March 2017, he has been the director of labour union committee of the Company. He currently also serves as the non-executive director of Shanghai Insurance Exchange Company Limited (上海保險交易所股份有限公司). Mr. Zhang did not hold any directorship in any other listed companies during the past three years. Mr. Zhang obtained a bachelor's degree of arts in English from University of International Relations and an Economist Qualification.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Wei Shiping** (魏世平), is a shareholder representative Supervisor of the Company. Mr. Wei had served as a senior manager of China Cinda Asset Management Co., Ltd. Mr. Wei currently serves as a senior manager of the finance department of China Investment Corporation. Since June 2011, Mr. Wei has been appointed as a shareholder representative Supervisor of the Company. Mr. Wei did not hold any directorship in any other listed companies during the past three years. Mr. Wei obtained a master's degree in accounting from the Northern Jiaotong University (currently known as Beijing Jiaotong University). Mr. Wei was accredited as a certified public accountant (non-practicing member), a chartered certified accountant in the United Kingdom and a chartered financial analyst (CFA) in the United States.

**Mr. Zhu Yong** (朱永), is a shareholder representative Supervisor of the Company and a senior auditor. Mr. Zhu worked for the department of monetary audit of the NAO as the deputy divisional director. Mr. Zhu served as the general manager of the legal and audit department and general manager of the human resources department of Tianjin Binhai Rural Commercial Bank, the divisional director of China Export & Credit Insurance Corporation. Mr. Zhu served as the senior manager of the office of the board of supervisors/internal audit department and the leader of the working group of the board of supervisors of China Investment Corporation. Since December 2014, Mr. Zhu has been appointed as a shareholder representative Supervisor of the Company. Mr. Zhu did not hold any directorship in any other listed companies during the past three years. Mr. Zhu obtained a doctoral degree in history of economics philosophy from Peking University and a qualification of senior auditor.

**Mr. Cao Shunming** (曹順明), is an employee representative Supervisor of the Company and an associate researcher. Before joining the Company, Mr. Cao served in The People's Insurance Company of China, PICC Asset Management Company Limited and PICC Property and Casualty Company Limited. Mr. Cao currently serves as the legal controller and the general manager of the internal control, compliance and legal affairs department of the Company. Mr. Cao served as director of Huatai Insurance Agency and supervisor of China Re Life. And he is concurrently serving as the director of China Re AMC HK and director of China Re P&C. Since December 2014, Mr. Cao has been appointed as an employee representative Supervisor of the Company. Mr. Cao did not hold any directorship in any other listed companies during the past three years. Mr. Cao obtained a bachelor's degree and a master's degree in law from China University of Political Science and Law, and a doctoral degree in law from Chinese Academy of Social Sciences. Mr. Cao has lawyer qualification in the PRC.

**Mr. Tian Bo** (田波), is an employee representative Supervisor of the Company and a senior economist. Mr. Tian used to serve in the People's Bank of China, the CIRC and its Beijing Regulatory Bureau. Mr. Tian successively served as the deputy general manager of the human resources department of the Company, the deputy general manager of risk management and compliance department of China Re Life, a deputy director of the office of the Board of Supervisors. Mr. Tian currently serves as a senior manager (Grade I) and deputy general manager of party-masses work department of the Company. Since July 2016, Mr. Tian has been appointed as the employee representative Supervisor of the Company. Mr. Tian did not hold any directorship in any other listed companies during the past three years. Mr. Tian obtained a bachelor's degree in economics from Wuhan University, a master's degree in economics from Tianjin Institute of Finance and Economics (currently known as Tianjin Finance University). Mr. Tian was granted the qualification of senior economist.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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## Senior Management

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

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

**Ms. Yu Qing** (余青), is Vice President and Chief Financial Officer of the Company. Ms. Yu used to serve as divisional director of the foreign debt division of the national debt management department, divisional director of the No.4 finance division, divisional director of the No.1 finance division, divisional director of the general division and cadre of deputy-departmental level in the Ministry of Finance. Ms. Yu joined the Company in February 2009 and used to be the Board Secretary of the Company, the chairman of asset-liability management committee and the joint company secretary of the Company. Ms. Yu has served as the Vice President of the Company since March 2009 and the Chief Financial Officer of the Company since June 2017. Ms. Yu has also served as chairman of China Re AMC. Ms. Yu did not hold any directorship in any other listed companies during the past three years. Ms. Yu obtained a bachelor’s degree in international economics from international economics department of Nankai University and a master’s degree in history of foreign economics philosophy from School of Economics of Peking University.

**Ms. Liu Tianyang** (劉天洋), is the secretary of the commission for discipline inspection and Audit Controller of the Company. Ms. Liu used to serve as the deputy director of China Foreign Economy and Trade Trust Co., Ltd. and chairman of China Foreign Economy and Trade Trust Co., Ltd. (Hainan Branch), the deputy general manager of the enterprise department of China National Chemicals Import and Export Corporation, the general manager of the industry department of Chinese Commercial Enterprise Group, the general manager of the guarantee business department and vice chairman of the labour union of China Export & Credit Insurance Corporation, and the vice president of Dagong Global Credit Rating Co., Ltd. Ms. Liu joined the Company in September 2009 and has served as the secretary of the commission for discipline inspection since then. She has been the Audit Controller of the Company since May 2013 and has also served as chairman of the board of supervisors of China Re P&C. Ms. Liu did not hold any directorship in any other listed companies during the past three years. Ms. Liu obtained a master’s degree of economics in international finance from Renmin University of China, a doctoral degree in management science and engineering from Huazhong University of Science and Technology.

**Mr. Zhao Wei** (趙威), is an assistant to the President of the Company. Before joining the Company, Mr. Zhao used to serve in China Life Insurance (Group) Company and China Life Asset Management Company Limited, and used to serve as the president of China Life Franklin Asset Management Company Limited and the vice president of New China Asset Management Corporation Limited. Mr. Zhao used to be the general manager of China Re AMC. Since September 2015, he has served as an assistant to the President of the Company. He is concurrently serving as vice chairman of the board of directors of China Re AMC, the non-executive director of China Everbright Bank, the chairman of the board of directors of China Re AMC HK, the non-executive director of Beijing Jingneng Clean Energy Co., Limited, and the director and the chairman of the board of directors of China Re Capital Management Company Limited. Mr. Zhao did not hold any directorship in any other listed companies in the last three years. Mr. Zhao obtained a master’s degree in national economic planning and management from Jilin University, and a doctoral degree in finance from the Fiscal Science Research Institute of the Ministry of Finance.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Ms. Zhang Xiaohong** (張曉紅), is an assistant to the President of the Company. Ms. Zhang had served in The People's Insurance Company of China. Ms. Zhang joined the Company in January 1996, she served at the Company as the general manager of the statutory business department of the Company, an executive director and general manager of China Re Life. Meanwhile, Ms. Zhang also served as the compliance controller and vice chairman of the board of directors of China Re Life. Since September 2015, Ms. Zhang has been serving as an assistant to the President of the Company. And she is currently serving as director of China Re AMC. Ms. Zhang did not hold any directorship in any other listed companies in the past three years. Ms. Zhang obtained a bachelor's degree in English and a master's degree in English language and literature from the Beijing Normal University, a master's degree in public affairs from the Hubert H. Humphrey School of Public Affairs of University of Minnesota and was accredited by the Chartered Insurance Institute as an associate of that institute.

**Mr. Tian Meipan** (田美攀), is the Chief Actuary of the Company. Before joining the Company, Mr. Tian served as a lecturer at the insurance department of Nankai University. Mr. Tian served at the commercial business division of life insurance business department of the Company. Mr. Tian served as a controller of risk management department, deputy general manager and chief actuary of China Re Life. Mr. Tian is now serving as the executive director and general manager of China Re Life, and he has been the Chief Actuary of the Company since December 2012. Mr. Tian did not hold any directorship in any other listed companies in the past three years. Mr. Tian obtained a bachelor's degree in international finance and a master's degree in finance from Nankai University. He is also the Fellow of Society of Actuaries, and obtained the qualification of actuary in the PRC.

**Ms. Zhu Xiaoyun** (朱曉雲), is the Board Secretary and the joint company secretary of the Company, and an economist. Ms. Zhu joined the Company in July 1998 and had served as the deputy head of the office of the board of directors and head of general office (party committee office) of the Company. Ms. Zhu has been the joint company secretary of the Company since April 2017 and the Board Secretary of the Company since June 2017. Ms. Zhu used to serve as a director in Huatai Insurance Agency and currently also serves as a director of China Insurance Media Company Ltd. Ms. Zhu did not hold any directorship in any other listed companies during the past three years. Ms. Zhu obtained a bachelor's degree in insurance from Capital University of Economics and Business and a master's degree in finance from the University of International Business and Economics.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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## Joint Company Secretaries<sup>1</sup>

For the biography of **Ms. Zhu Xiaoyun**, please refer to the paragraphs headed “Senior Management” above.

**Ms. Ng Sau Mei** (伍秀薇), has been appointed as a joint company secretary of the Company since April 2017. Ms. Ng is a senior manager of the listing services department of TMF Hong Kong Limited<sup>2</sup>. Ms. Ng has over 16 years of professional experience in the company secretarial field and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has extensive knowledge and experience in corporate governance and compliance matters for listed companies and currently serves as joint company secretary of several companies listed on the main board of Hong Kong Stock Exchange, including Beijing Digital Telecom Co., Ltd., and is responsible for the corporate secretarial matters of several companies listed on the main board of Hong Kong Stock Exchange, including COSCO SHIPPING Development Co., Ltd., New China Life Insurance Company Ltd. and China Development Bank Financial Leasing Co., Ltd. Ms. Ng obtained a bachelor’s degree in Laws from City University of Hong Kong and is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the UK.

Notes: 1. Due to changes in work commitment, Ms. Yu Qing and Ms. Mok Ming Wai ceased to be joint company secretaries of the Company, with effect from 27 April 2017. The Company appointed Ms. Zhu Xiaoyun and Ms. Ng Sau Mei as joint company secretaries of the Company, with effect from 27 April 2017.

2. TMF Hong Kong Limited and KCS Hong Kong Limited (the former company secretary service provider) have been amalgamated since 1 January 2018, and the amalgamated company is TMF Hong Kong Limited.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

### Changes of Directors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Yuan Linjiang	Executive Director and Chairman	Executive Director and Chairman	Since June 2017, Mr. Yuan Linjiang has been the director and the chairman of the board of directors of China Continent Insurance.
Wang Pingsheng	Executive Director and Vice Chairman	None	Since March 2017, Mr. Wang Pingsheng ceased to be the director of the labour union committee of the Company; since August 2017, he ceased to be the chairman of the board of directors and the director of China Re Life; since December 2017, he ceased to be the Vice Chairman of the Company; since February 2018, he ceased to be an executive Director of the Company.
Zhang Hong	Executive Director	Supervisor, Chairman of the Board of Supervisors	Since January 2017, Mr. Zhang Hong ceased to be the executive Director of the Company; since January 2017, he ceased to be the director and the chairman of the board of directors of China Re P&C; since February 2017, he has been the Supervisor and the Chairman of the Board of Supervisors of the Company; since March 2017, he has been the director of the labour union committee of the Company.
He Chunlei	Vice President (acting as the President)	Executive Director, Executive Vice President (assuming the role of President)	Since January 2017, Mr. He Chunlei ceased to be the chairman of the board of directors and the director of China Continent Insurance; since February 2017, he has been the executive Director of the Company; since March 2017, he has been the Executive Vice President (assuming the role of President); since July 2017, he has been the director and the chairman of the board of directors of the China Re P&C; since August 2017, he has been the director of China Re Life; since September 2017, he has been the chairman of the board of directors of China Re Life.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

## Changes of Supervisors and Their Information

Name	Original Position	Present Position	Changes of Biographies
Zhang Hong	Executive Director	Supervisor, Chairman of the Board of Supervisors	Please refer to the section headed "Changes of Directors and Their Information" above.
Wang Yonggang	Supervisor, Chairman of the Board of Supervisors	None	Since February 2017, Mr. Wang Yonggang ceased to be the Chairman of the Board of Supervisors and the Supervisor of the Company.
Cao Shunming	Employee Representative Supervisor	Employee Representative Supervisor	Since April 2017, Mr. Cao Shunming has been the General Counsel of the Company; since May 2017, he has been the director of China Re AMC HK; since June 2017, he ceased to be the director of Huatai Insurance Agency; since August 2017, he ceased to be the supervisor of China Re Life; since September 2017, he has been the director of China Re P&C.

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

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



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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## Changes of Senior Management and Their Information

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

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

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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## EMPLOYEES

As at 31 December 2017, China Re Group had a total of 49,431 employees. The Group's staff remuneration comprises three components, namely basic salary, performance bonus and benefits and subsidies. We always uphold the guidance of "combining the market practice with the real situation of China Re", follow the distribution concept of "giving priority to the front-line staff, the front desk staff, the core backbones and the best-performing staff", and have established the incentive and restraint mechanisms with "reasonable structure, appropriate level, sound systems and regulated management". The Group provides employees with competitive remuneration packages with reference to market benchmarks and has established an annuity plan and a supplementary medical insurance plan to provide employees with more comprehensive benefits.

The Group is devoted to realising a win-win situation between corporate development and employee improvement, organizing the implementation of "Double-Hundred Talents Project", increasing its efforts in introducing talents from various levels and types, enhancing its resources invested in talent cultivation, strengthening the guidance on the career path for employees, clearing the obstacles on the career development path for employees, improving the comprehensive qualities and professional abilities of employees, developing their international perspectives, and promoting the all-rounded development of employees through multi-level trainings, rotation exchanges, and overseas trainings.

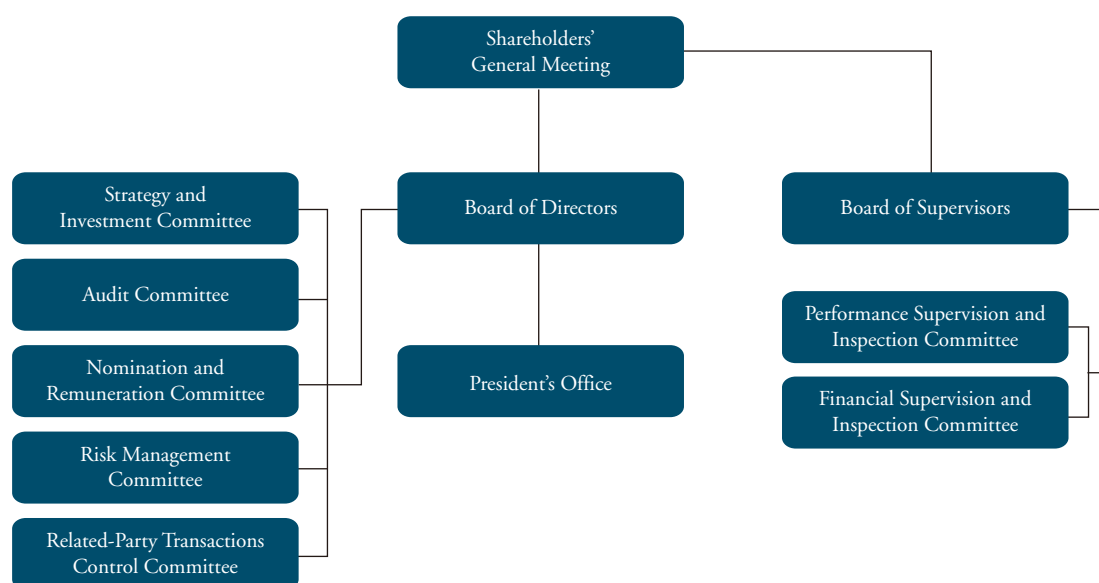
# CORPORATE GOVERNANCE REPORT

## OVERVIEW

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

The H shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 26 October 2015. The Corporate Governance Code has been applicable to the Company since the Listing Date. 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. The Company received an excellent rating in the 2017 corporate governance assessment of insurance corporate bodies conducted by the CIRC.

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



# CORPORATE GOVERNANCE REPORT

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## SHAREHOLDERS' GENERAL MEETING

Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws: (1) to decide on operational policies and investment plans of the Company; (2) to elect or replace the Directors and Supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of Directors and Supervisors; (3) to consider and approve the reports of the Board of Directors; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve annual financial budgets and final accounts of the Company; (6) to consider and approve proposals for profit distribution and recovery of losses of the Company; (7) to decide on increase or reduction of the registered capital of the Company; (8) to decide on the issuance of bonds, shares, warrants or other marketable securities and listing of the Company; (9) to decide on merger, division, dissolution and liquidation of the Company and changes in the form of the Company; (10) to amend the Articles of Association and to formulate and amend the procedural rules of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; (11) to decide on the acquisition of shares of the Company; (12) to decide on the appointment, dismissal or non-reappointment of accounting firms which provide regular statutory audit for financial statements of the Company; (13) to consider and approve matters related to the Company's establishment of legal entities, significant investment, major acquisition of assets, major disposal and write-off of assets, major external donation and major external guarantee (other than those authorised to be determined by the Board); (14) to consider and approve related-party transactions required to be approved by the shareholders' general meetings under laws, administrative regulations, regulatory requirements and the securities regulatory authorities or stock exchange at the place where the Company's shares are listed; (15) to consider and approve matters related to the change of use of the raised fund; (16) to consider and approve share incentive scheme; (17) to consider and approve any proposal raised by shareholders, individually or in aggregate, holding 3% or more of the issued shares of the Company with voting rights; (18) to consider and approve plan on authorisation to the Board granted by the shareholders' general meetings; and (19) to consider other matters that are to be determined at the shareholders' general meeting as required by the PRC laws, administrative regulations, regulatory requirements and the Articles of Association.

During the Reporting Period, the Company convened three shareholders' general meetings and the resolutions considered and approved at the meetings included:

- Resolution on the Outline of the "Thirteenth Five-Year" Development Plan of China Re Group;
- Resolution on matters regarding remuneration of relevant directors and supervisors of the Company for the year 2015;
- Resolution on Mr. Zhang Hong's ceasing to serve as the executive director of the Company;
- Resolution on the election of Mr. He Chunlei as an executive director of the third session of the board of directors of the Company;
- Resolution on Mr. Wang Yonggang's ceasing to serve as the supervisor of the Company;
- Resolution on the election of Mr. Zhang Hong as a supervisor of the third session of the board of supervisors of the Company;
- Resolution on the report of the board of directors of the Company for the year 2016;
- Resolution on the report of the board of supervisors of the Company for the year 2016;
- Resolution on the final financial accounts report of the Company for the year 2016;

# CORPORATE GOVERNANCE REPORT

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- Resolution on the profit distribution plan of the Company for the year 2016;
- Resolution on the investment budget for fixed assets of the Company for the year 2017;
- Resolution on the re-appointment of auditors for the year 2017;
- Resolution on the amendments to the Articles of Association;
- Resolution on the provision of capital guarantee by the Company to China Re Syndicate 2088 for the years from 2018 to 2020.

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

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

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

When shareholders' general meetings are held by the Company, shareholders individually or in aggregate holding more than 3% of the outstanding shares of the Company with voting rights have the right to make proposals in writing. The proposing shareholders may raise interim proposals and submit to the convenor of the shareholders' general meeting 10 days prior to the date of the meeting, and matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting shall be included in such meeting's agenda. The convenor of the shareholders' general meeting shall within two days upon receiving such interim proposals give supplemental notice to the shareholders. The content of such interim proposals shall be within the scope of functions and powers of the shareholders' general meetings, and shall contain specific subjects and concrete matters for approval.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

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

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

### Composition

As at the end of the Reporting Period, the Board comprised 10 Directors, consisting of four executive Directors, two non-executive Directors and four independent non-executive Directors.

Directors serve a term of three years and may serve consecutive terms if re-elected. Details are as follows<sup>1</sup>:

Name	Position	Date of appointment
Yuan Linjiang	Chairman, Executive Director	May 2016
Wang Pingsheng	Executive Director	August 2012
He Chunlei	Executive Director	February 2017
Ren Xiaobing	Executive Director	August 2012
Lu Xiuli	Non-executive Director	December 2014
Shen Shuhai	Non-executive Director	December 2014
Wang Jun	Independent non-executive Director	June 2011
Hao Yansu	Independent non-executive Director	December 2014
Li Sanxi	Independent non-executive Director	December 2014
Mok Kam Sheung	Independent non-executive Director	August 2015

Note: 1. Mr. Zhang Hong ceased to be the executive Director on 20 January 2017. Mr. Wang Pingsheng ceased to be the Vice Chairman of the Company, the member of the Strategy and Investment Committee of the Board and other positions on 26 December 2017, and ceased to be the executive Director on 9 February 2018. For details of the changes of Directors and their information, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

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

# CORPORATE GOVERNANCE REPORT

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

## Corporate Governance Functions

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

## Duties and Responsibilities

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

- (1) convening shareholders' general meetings and reporting its work to the shareholders' general meeting;
- (2) implementing the resolutions of the shareholders' general meetings;
- (3) determining the operation plans and investment plans of the Company;
- (4) formulating the development strategies of the Company;
- (5) formulating the annual financial budget and final accounts of the Company;
- (6) formulating the profit distribution plan and loss recovery plan of the Company;
- (7) formulating proposals for increase or reduction of the registered capital or proposals for the issue of bonds, shares, warrants or other securities or the listing of the Company;
- (8) formulating plans for the acquisition of shares of the Company or merger, division, dissolution and changes of the form of the Company;
- (9) formulating proposals for any amendment to the Articles of Association;
- (10) formulating the procedural rules of the shareholders' general meetings and the Board and the working rules for specialised committees under the Board;
- (11) formulating the basic management system of the Company;
- (12) deciding on the establishment of internal management departments, branches and subsidiaries of the Company and deciding on the establishment of legal entities within the scope of the authorisation of the shareholders' general meeting;
- (13) regularly evaluating and improving the corporate governance of the Company;
- (14) appointing or removing senior management of the Company, and implementing reviews as well as determining remuneration and rewards and punishment arrangements with respect to such personnel; appointing or removing members of each specialised committee under the Board;
- (15) reviewing and deciding on evaluation plans for the results of operation of our major subsidiaries;
- (16) reviewing annual financial reports and major disclosure of information of the Company;
- (17) proposing to the shareholders' general meeting on the appointment or removal of accounting firms which provide regular statutory audit on the financial statements of the Company;
- (18) considering and approving, or authorising the Related-Party Transactions Control Committee under the Board to approve related-party transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws;
- (19) considering and approving the Company's matters such as the investment, acquisition of assets, disposal and write-off of assets, external guarantees and external donations within the scope of the authorization of the shareholders' general meeting; and
- (20) exercising such other functions and powers as granted by the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and as empowered by the shareholders' general meeting.

# CORPORATE GOVERNANCE REPORT

## Summary of Work Undertaken

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

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)
Yuan Linjiang	3/3	100
Wang Pingsheng	3/3	100
He Chunlei	2/2	100
Ren Xiaobing	3/3	100
Lu Xiuli	3/3	100
Shen Shuhai	3/3	100
Wang Jun	3/3	100
Hao Yansu	2/3	67
Li Sanxi	3/3	100
Mok Kam Sheung	3/3	100
Zhang Hong	1/1	100

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

Name	Attended in person/eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	9/9	100	0/9	0
Wang Pingsheng	7/9	78	2/9	22
He Chunlei	6/7	86	1/7	14
Ren Xiaobing	9/9	100	0/9	0
Lu Xiuli	9/9	100	0/9	0
Shen Shuhai	8/9	89	1/9	11
Wang Jun	7/9	78	2/9	22
Hao Yansu	8/9	89	1/9	11
Li Sanxi	7/9	78	2/9	22
Mok Kam Sheung	8/9	89	1/9	11
Zhang Hong	0/0	N/A	0/0	N/A

During the Reporting Period, the third session of the Board held a total of nine meetings, at which 74 resolutions were considered and approved and 18 reports were received. The Board has promoted the implementation of various measures of the "One-Three-Five" Strategy, optimised the Group Company's organisation structure, and reinforced its fundamental management, with new progress and breakthroughs made in many areas.



# CORPORATE GOVERNANCE REPORT

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## Directors

### Responsibility with Respect to Financial Statements

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

The Board has confirmed that it is responsible for the preparation of the financial statements of the Company for the year ended 31 December 2017. The Company is not subject to any material uncertainties or circumstances which might cast significant doubt on the Company's ability to continue as a going concern.

### Securities Transactions

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

### Training of Directors

During the Reporting Period, all Directors (Mr. Yuan Linjiang, Mr. Wang Pingsheng, Mr. He Chunlei, Mr. Ren Xiaobing, Ms. Lu Xiuli, Mr. Shen Shuhai, Ms. Wang Jun, Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Mr. Zhang Hong) were actively involved in continuous improvement in professional competence and participated in various kinds of training activities relating to corporate governance, the Hong Kong Listing Rules and risk management which were organised by the shareholders, regulatory authorities, industrial organisations and the Company, so as to develop and update their knowledge and skills and improve their performance ability, with the aim of making contributions to the Board with comprehensive information under appropriate circumstances.

### Chairman/Vice Chairman/President

During the Reporting Period, the Chairman and the President of the Company were performed by different persons. As at the Latest Practicable Date, the Chairman of the Company was Mr. Yuan Linjiang. Mr. He Chunlei was the Executive Vice President, assuming the role of the President.

The Chairman is responsible for providing leadership to the Board, ensuring that the Company has good corporate governance practices and procedures, and maintaining the effective operation of the functions of Board. The Vice Chairman will perform the duties of the Chairman if the Chairman cannot or does not perform his duties.

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

# CORPORATE GOVERNANCE REPORT

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## **Term of Office of Non-executive Directors**

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

## **Independence of Independent Non-executive Directors**

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

## **Nomination of Directors**

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

## **Remuneration of Directors**

The Board has established the Nomination and Remuneration Committee with written terms of reference. The Nomination and Remuneration Committee comprises two non-executive Directors, being Mr. Shen Shuhai (vice chairman), Ms. Lu Xiuli, and three independent non-executive Directors, being Ms. Wang Jun (chairman), Mr. Li Sanxi and Ms. Mok Kam Sheung.

The Articles of Association provide that the remuneration of Directors shall be determined by the shareholders' general meetings of the Company from time to time. The remuneration of independent non-executive Directors shall be proposed by the Board and approved by the shareholders' general meetings. The Articles of Association provide that the Company shall enter into written contracts with the Directors in respect of remuneration matters with prior approval by the shareholders' general meetings. In 2017, except independent non-executive Directors who received Directors' fees from the Company, all other Directors did not receive any remuneration from the Company in the capacity of Directors. Executive Directors received remuneration in the capacity of senior management from the Company. The remuneration packages of independent non-executive Directors are determined based on the Company's own situations with reference to market benchmarks.

# CORPORATE GOVERNANCE REPORT

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## Specialised Committees of the Board

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

### Strategy and Investment Committee

#### Composition

As at the end of the Reporting Period, the Strategy and Investment Committee comprised four Directors, including two executive Directors and two non-executive Directors<sup>1</sup>.

Chairman:	Yuan Linjiang (executive Director)
Members:	He Chunlei (executive Director), Lu Xiuli (non-executive Director), Shen Shuhai (non-executive Director)

#### Duties and responsibilities

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

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

Note: 1. Since 28 February 2017, Mr. He Chunlei has been the member of the Strategy and Investment Committee of the Board. Since 26 December 2017, Mr. Wang Pingsheng ceased to be the member of the Strategy and Investment Committee of the Board.

# CORPORATE GOVERNANCE REPORT

## Summary of work undertaken

During the Reporting Period, the Strategy and Investment Committee held a total of six meetings and considered and approved 14 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	6/6	100	0/6	0
Wang Pingsheng	4/6	67	2/6	33
He Chunlei	5/5	100	0/5	0
Lu Xiuli	6/6	100	0/6	0
Shen Shuhai	6/6	100	0/6	0

During the Reporting Period, the Strategy and Investment Committee studied and considered the operation plans for the year 2017, the asset allocation plan of the “Thirteenth Five-Year” Strategy, the rolling capital plan for the years from 2017 to 2019 and other significant matters related to strategic planning, promoted various measures with respect to “innovation, synergy and fission”, and further facilitated the implementation of the significant development strategy of the Company.

## Audit Committee

### Composition

As at the end of the Reporting Period, the Audit Committee comprised five Directors including three independent non-executive Directors and two non-executive Directors, with an independent non-executive Director serving as the chairman.

Chairman:	Li Sanxi (independent non-executive Director)
Vice chairman:	Hao Yansu (independent non-executive Director)
Members:	Lu Xiuli (non-executive Director), Shen Shuhai (non-executive Director), Wang Jun (independent non-executive Director)

### Duties and responsibilities

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

# CORPORATE GOVERNANCE REPORT

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

## Summary of work undertaken

During the Reporting Period, the Audit Committee held a total of eight meetings and considered and approved 15 resolutions, and received nine reports.

Attendance records of the meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Li Sanxi	8/8	100	0/8	0
Hao Yansu	5/8	63	3/8	37
Lu Xiuli	8/8	100	0/8	0
Shen Shuhai	7/8	88	1/8	12
Wang Jun	7/8	88	1/8	12

During the Reporting Period, the Audit Committee carefully performed its duties, considered and studied the re-appointment of domestic and overseas annual auditors, the results announcement for the year 2016 and the annual report for the year 2016, the interim results announcement for the year 2017 and the interim report for the year 2017, the corporate governance report for the year 2016 and compliance report for the year 2016 and other important matters, and provided the Board and the management with opinions and advice in relation to finance, internal control and operation management in a timely manner, which played an active role in enhancing corporate governance.

# CORPORATE GOVERNANCE REPORT

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## Nomination and Remuneration Committee

### Composition

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised five Directors, including three independent non-executive Directors and two non-executive Directors.

Chairman:	Wang Jun (independent non-executive Director)
Vice chairman:	Shen Shuhai (non-executive Director)
Members:	Lu Xiuli (non-executive Director), Li Sanxi (independent non-executive Director), Mok Kam Sheung (independent non-executive Director)

### Duties and responsibilities

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

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

# CORPORATE GOVERNANCE REPORT

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## Summary of work undertaken

During the Reporting Period, the Nomination and Remuneration Committee held a total of three meetings and considered and approved 14 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Wang Jun	3/3	100	0/3	0
Shen Shuhai	2/3	67	1/3	33
Lu Xiuli	3/3	100	0/3	0
Li Sanxi	3/3	100	0/3	0
Mok Kam Sheung	3/3	100	0/3	0

During the Reporting Period, the Nomination and Remuneration Committee focused on the consideration of the appointment and removal of Directors and senior management, matters regarding the 2016 annual remuneration for the Company's general managers, the 2017 annual operating results appraisal plan and other matters, which played an important role in further pushing forward the incentive system of the Company and improving its effectiveness.

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

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

# CORPORATE GOVERNANCE REPORT

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## Risk Management Committee

### Composition

As at the end of the Reporting Period, the Risk Management Committee comprised five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director.

Chairman:	Yuan Linjiang (executive Director)
Vice chairman:	Lu Xiuli (non-executive Director)
Members:	He Chunlei (executive Director) <sup>1</sup> , Ren Xiaobing (executive Director), Hao Yansu (independent non-executive Director)

### Duties and responsibilities

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

The primary duties include (but not limited to): (1) reviewing the Company's risk strategies and risk management procedures, and monitoring and evaluating their implementation and effectiveness; (2) reviewing the Company's risk management policies and internal control systems, and monitoring and evaluating their implementation and effectiveness; monitoring and evaluating the subsidiaries' risk management policies and internal control systems and their implementation and effectiveness. The reviewing matters of the Committee include but not limited to: (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and the internal control systems; (iii) the extent and frequency of communication of monitoring results to the Board (or the committees under the Board) which enables it to assess the overall control of the Company and the effectiveness of its risk management; and (iv) significant control failures or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's overall financial performance or condition; (3) reviewing, monitoring and evaluating the organizational structure, department-setting and duties, working procedures and effectiveness of risk management, and making recommendations as to improving the Company's risk management and control; (4) considering the overall objectives, risk appetite, risk tolerance and risk management policies in respect of the solvency risk management of the Company; (5) addressing major differences or issues regarding risk management system operation or risk management matters; (6) monitoring and evaluating the senior management's efforts on risk control in respect of market and operation; (7) monitoring the effectiveness of the Company's risk management system (including but not limited to ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget in respect of the Company's accounting, internal control and financial reporting); (8) comprehensively understanding various major risks the Company faced and their management, reviewing risk assessment report on a regular basis, considering the risk assessment in respect of material decision-making and the solutions for major risks, assessing the Company's overall risk profile and risk management on a regular basis, and ensuring the Company's disclosure in a statement about how it complies with the code provisions for risk management and internal control in its corporate governance report during the reporting period in accordance with the requirements of the Hong Kong Listing Rules; and (9) other matters as authorised by the Board.

Note: 1. Since 28 February 2017, Mr. He Chunlei has been the member of the Risk Management Committee of the Board.



# CORPORATE GOVERNANCE REPORT

## Summary of work undertaken

During the Reporting Period, the Risk Management Committee held a total of five meetings and considered and approved 14 resolutions, and received two reports.

Attendance records of the meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Yuan Linjiang	5/5	100	0/5	0
Lu Xiuli	5/5	100	0/5	0
He Chunlei	4/4	100	0/4	0
Ren Xiaobing	5/5	100	0/5	0
Hao Yansu	5/5	100	0/5	0

During the Reporting Period, the Risk Management Committee considered and approved the risk appetite resolution of the Company for the year 2017, the solvency report for each quarter, the report of the non-insurance subsidiaries for the year 2016, the internal control assessment report for the year 2016, the risk assessment report for the year 2016, the consolidated management report for the year 2016, the amendment on interim measures on comprehensive risk management of the Company and other resolutions. It has played an important role in facilitating the Group's risk management work and improving the Group's risk management capabilities.

## Related-Party Transactions Control Committee

### Composition

As at the end of the Reporting Period, the Related-Party Transactions Control Committee comprised three independent non-executive Directors.

Chairman: Hao Yansu (independent non-executive Director)  
Members: Wang Jun (independent non-executive Director), Li Sanxi (independent non-executive Director)

### Duties and responsibilities

The primary duties of the Related-Party Transactions Control Committee include: (1) identifying the related parties of the Company and reporting to the Board, and promptly notifying relevant staff of the Company of the related parties identified; (2) performing a preliminary review of related-party transactions that are to be approved at the shareholders' general meeting and the Board meeting and submitting written opinions to the Board for approval; (3) accepting filings of related-party transactions as authorised by the Board; (4) submitting to the Board a special report on the Company's related-party transactions and implementation of policies governing related-party transactions for the year; and (5) other matters as authorised by the Board.

# CORPORATE GOVERNANCE REPORT

## Summary of work undertaken

During the Reporting Period, the Related-Party Transactions Control Committee held a total of seven meetings and considered and approved 13 resolutions.

Attendance records of the meetings were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Hao Yansu	6/7	86	1/7	14
Wang Jun	6/7	86	1/7	14
Li Sanxi	7/7	100	0/7	0

During the Reporting Period, the Related-Party Transactions Control Committee reviewed with due care the related-party transactions on the engagement of China Re P&C and China Re Life by the Group Company in appointed retrocession businesses, the signing of the Keepwell Deed and supplementary Keepwell Deed on the issuance of U.S. dollar denominated notes by China Reinsurance Finance Corporation Limited, the report on related-party transactions and the implementation of its management system and the evaluation of internal transaction for the year 2016, provision of capital guarantee to China Re Syndicate 2088 for years from 2018 to 2020 and other matters, which ensured that the related-party transactions of the Company were in compliance with laws and regulations.

## Risk Management and Internal Control

The Company believes that good risk management and internal control plays an important role in the operation of the Company. The Board is ultimately responsible for the risk management, internal control and compliance management of the Company and is committed to the establishment and constant improvement of effective risk management and internal control systems.

### Main Features of Risk Management and Internal Control System

The Board is responsible for guidance over the establishment of the overall risk management and internal control management system of the Company, conducting regular research and assessment on the soundness, reasonableness and effectiveness of risk management and internal control, considering and approving the organisational structure of risk management and internal control, basic management systems and material risk treatment of the Company, as well as considering and approving the annual risk assessment report and internal control assessment report of the Company.

The Risk Management Committee is established under the Board to assist the Board in reviewing, monitoring and assessing material risk management matters such as risk strategies and risk management procedures, risk management policies and internal control system, risk management organisation methods and risk control performances. The Audit Committee is established under the Board to monitor the implementation of the Company's internal control and management system, and examine and review the compliance and effectiveness of significant operational activities of the Company. The functional departments, including business, finance and investment departments of the Company are primarily responsible for the risk management and internal control system. The specialised departments, such as risk management and internal control and compliance departments, are responsible for the coordinated planning and implementation of risk management and internal control and compliance before and during the process. Risk assessment and internal control and compliance assessment work were carried out by the specialised departments on an annual basis. The internal audit department is responsible for monitoring and auditing the performance in risk management and internal control and compliance.

# CORPORATE GOVERNANCE REPORT

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## Technologies and Implementation of Risk Management

In 2017, the Company implemented the following measures to identify, evaluate and manage material risks: (1) The Company operated and managed risk appetite system. The Company's risk appetite system comprises risk appetite, risk tolerance and risk limits, which has been closely integrated with the business plan to play a role in guidance and constraints to business operations. Through the implementation of risk limits and related indicators monitoring, reporting and dynamic management processes, the continuous functioning of risk appetite is assured. (2) The Company persistently implemented C-ROSS regulatory requirements. Since the official implementation of the C-ROSS, the Company has carried out a number of work to apply such requirements, including but not limited to the followings: (i) Solvency reports have been regularly formulated and analyzed so that specific management measures were accordingly adopted to ensure adequate solvency; (ii) The Company improved its risk management capability through formulating and revising a number of risk management systems, and promoting the effective implementations of the Company's various systems, to ensure the Company's business development; (iii) The Company strengthened its solvency management through assessing the impact of major business activities over its solvency before conducting such business activities. (3) The Company regularly identified and analyzed all types of major risks. The Company used various risk assessment indicators and used a combination of qualitative and quantitative methods to evaluate risks. Economic scenario generator, catastrophe models, and economic capital models were used together with stress testing and scenario testing to assess risks and analyze risk profile. Immediate reports and special analysis are prepared for major risks occurred or identified. By controlling the retained risks through the risk control plan, the Company managed the risks beyond its risk tolerance through retrocession arrangements for reinsurance and issuances of catastrophe bonds. (4) The Company maintained its rating management system. The Company received ratings from S&P Global Ratings and A.M. Best, and applied rating requirements in its daily operation. The Company sought to meet the requirements of such ratings while improving its operation management and risk management. Before conducting major business activities, the Company also assessed the impact of such activities over its ratings so as to balance its business against its ratings.

## Establishment and Sound Operation of Internal Control System

In 2017, the Company implemented the following measures to continuously enhance internal management efficiency: (1) The Company carried out internal control management activities in accordance with the management rules for internal control, internal control matrix and other systems and documents, and performed routine follow-up evaluation in respect of the major changes in regulatory requirements, changes in the Company's rules and regulations and major decisions in operation or management to dynamically identify the changes of risk factors in internal control and took responding measures in a timely manner. (2) The Company carried out internal control evaluation on a regular basis and arranged subsidiaries to carry out self-examination on key areas. For internal control deficiencies identified, the Company formulated rectification plan in a timely manner to specify the rectification measures, responsible departments and prescribed period for rectification, followed up and facilitated the deficiencies rectification, and performed evaluation on the effectiveness upon the completion of rectification. (3) The Company dynamically adjusted and optimised the authorisation system, improved the important authorisation documents, and clearly identified the approval authority and decision-making process on all levels. (4) The Company promoted the formulation and amendment of the rules and regulation, as well as conducted a thorough review on the rules and regulation of subsidiaries, so as to ensure that the systems effectively matched with the strategies and organizational structure of the Company. (5) The Company improved the assessment system for its subsidiaries' internal control and compliance, and further strengthened the management of internal control and compliance. (6) The Company promoted the philosophy and knowledge of internal control through various methods such as internal and external trainings, advocacy of rules and daily face-to-face communication which enhanced the awareness of internal control among the employees. (7) The Company organised financial personnel, internal control management personnel and internal audit personnel to receive relevant professional trainings and provided sufficient training budget, so as to continuously improve the professional skills and comprehensive capability of these personnel.

# CORPORATE GOVERNANCE REPORT

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## **Procedures for Handling and Disclosing Inside Information and Internal Control Measures**

The procedures and internal control measures for the identifying, handling, and disclosing inside information by the Company include: (1) formulating and implementing relevant supporting systems, including the Provisional Measures Governing Information Disclosure of China Reinsurance (Group) Corporation, by the Board, and establishing the comprehensive process of reporting, identifying, and disclosing inside information to ensure that the disclosure of inside information is on a timely basis and in compliance. (2) By means of training and instruction, fully informing relevant staffs, including members of the Board, the Board of Supervisors, and the management, of the obligations on information disclosure as stipulated under the Hong Kong Securities and Futures Commission's Guidelines on Disclosure of Inside Information and Hong Kong Listing Rules. (3) Dispatching information to specific personnel on a need-to-know basis, putting emphasis on the prohibition of unauthorised use of confidential or inside information, and conducting the confidential work preceding the disclosure of insider information if necessary.

## **Evaluation of Effectiveness of Risk Management and Internal Control System**

According to the Guidelines on Risk Management of Insurance Companies (Bao Jian Fa [2007] No. 23) and the Guidelines for Supervision on Consolidation of Accounts of Insurance Groups (Bao Jian Fa [2014] No. 96), the Company comprehensively analyzed and evaluated the risk management system in 2017. The evaluation involved various risks faced by the Company. The emphasis was on the evaluation of the implementation of risk management framework, various types of risk management mechanisms and risk management process in all types of risk management. The evaluation found that the risk management system of the Company is well operated. The Board and the management approved of the effectiveness of the risk management system.

In accordance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and related guidelines, Basic Rules for the Internal Control of Insurance Companies (Bao Jian Fa [2010] No. 69) and the requirements of the Hong Kong Listing Rules, in light of the actual situations of the Company's internal control system, the Company carried out internal control assessment for 2017, and reviewed the design and operational effectiveness of the internal control systems of the Company and its subsidiaries covering all important aspects including financial control, operational control and compliance control. The Company focused on major business matters, high-risk areas and the Company's capabilities in response to changes of internal and external environments through comprehensive use of individual interviews, walk-through tests, material reviews and special seminars, etc.

The Board and the management have confirmed that control systems are sufficient and effective. Due to the limitations of the internal control and the technical means for internal control assessment, there might still be risks and deficiencies. The Company will continue to optimise its internal control system and strive to assure legal compliance, asset security as well as authenticity and completeness of the financial reports and related information to ensure the fulfilment of its strategic objectives.

# CORPORATE GOVERNANCE REPORT

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## BOARD OF SUPERVISORS

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

### Composition

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

Chairman: Zhang Hong<sup>1</sup> (shareholder representative Supervisor)  
Supervisors: Wei Shiping (shareholder representative Supervisor), Zhu Yong (shareholder representative Supervisor), Cao Shunming (employee representative Supervisor), Tian Bo (employee representative Supervisor)

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

### Duties and Responsibilities

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

The primary duties of the Board of Supervisors include (but not limited to): (1) reporting its work to the shareholders' general meeting; (2) monitoring and examining the Company's financials; (3) supervising the conduct of the Directors and senior management in their performance of duties and proposing the removal of Directors and senior management who have contravened any of the PRC laws, administrative regulations, regulatory requirements, the Articles of Association or resolutions of the shareholders' general meeting; (4) demanding rectification from Directors or any senior management when the acts of such persons are harmful to the Company's interest; (5) proposing to convene an extraordinary general meeting and convening and presiding over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting; (6) proposing resolutions at the shareholders' general meeting; (7) representing the Company in negotiations with a Director and bringing an action against a Director or senior management pursuant to the PRC Company Law and the Articles of Association; (8) formulating the procedural rules of the Board of Supervisors and the working rules of specialised committees under the Board of Supervisors; (9) reviewing financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board to the shareholders' general meeting; if there is any doubt, engaging certified public accountants and practicing auditors in the name of the Company to review such financial information; and (10) exercising other duties specified under the PRC laws, administrative regulations, regulatory requirements or the Articles of Association and authorised by shareholders' general meetings.

Note: 1. On 23 February 2017, the qualification of Mr. Zhang Hong as a Supervisor was approved by CIRC and he formally performed duties of Supervisors and Chairman of the Board of Supervisors. At the same time, Mr. Wang Yonggang formally resigned as a Supervisor and Chairman of the Board of Supervisors.

# CORPORATE GOVERNANCE REPORT

## Summary of the Work Undertaken

During the Reporting Period, the Board of Supervisors convened four meetings and reviewed and considered nine resolutions, and received 10 reports. The Performance Supervision and Inspection Committee of the Board of Supervisors convened four meetings, while the Financial Supervision and Inspection Committee convened one meeting.

Attendance records of the meetings of the Board of Supervisors were as follows:

Name	Attended in person/ eligible to attend	Percentage of attendance in person (%)	Attended by proxy/ eligible to attend	Percentage of attendance by proxy (%)
Zhang Hong	3/3	100	0/3	0
Wei Shiping	4/4	100	0/4	0
Zhu Yong	4/4	100	0/4	0
Cao Shunming	4/4	100	0/4	0
Tian Bo	4/4	100	0/4	0
Wang Yonggang	0/1	0	1/1	100

Please refer to the section “Report of the Board of Supervisors” in this annual report for the work of the Board of Supervisors for the year 2017.

## DUTIES AND RESPONSIBILITIES OF THE SENIOR MANAGEMENT

According to the Articles of Association, senior management refers to the Company’s President, Vice President, Chief Financial Officer, Board Secretary and other management staffs confirmed by the Board. Senior management is responsible for the Company’s operation and management, organisation and implementation of the Board resolutions, implementation of the operation and investment plan approved by the Board, preparation of plans for the establishment of the internal management structure and basic management system as well as formulation of specific rules and regulations.

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

## JOINT COMPANY SECRETARIES

Ms. Zhu Xiaoyun, as a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, during the Reporting Period, the Company also engages Ms. Ng Sau Mei, a senior manager of TMF Hong Kong Limited (TMF Hong Kong Limited and KCS Hong Kong Limited, the former company

# CORPORATE GOVERNANCE REPORT

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secretary service provider, have been amalgamated since 1 January 2018, and the amalgamated company is TMF Hong Kong Limited) as a joint company secretary of the Company to assist Ms. Zhu Xiaoyun to perform her duties as a joint company secretary of the Company. The primary contact person of Ms. Ng Sau Mei in the Company is Ms. Zhu Xiaoyun.

During the Reporting Period, Ms. Zhu Xiaoyun and Ms. Ng Sau Mei have undertaken no less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

Ms. Yu Qing and Ms. Mok Ming Wai, the former joint company secretaries of the Company, ceased to be joint company secretaries on 27 April 2017. Ms. Zhu Xiaoyun and Ms. Ng Sau Mei have been appointed as joint company secretaries on the same day.

## AUDITORS' FEES

During the Reporting Period, the shareholders' general meeting of the Company approved the appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers to provide interim financial statements review services and annual financial statements audit services for the year 2017 for the Group at a fee of RMB8.88 million. The Company appointed PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. to provide consultancy services for the preparation of the 2016 Social Responsibility Report and the environmental, social and governance report at a fee of RMB350,000. Save as disclosed above, during the Reporting Period, the Company did not appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers to provide any non-audit services.

## ARTICLES OF ASSOCIATION

During the Reporting Period, in accordance with the overall requirement on incorporation of Party-building work into the Articles of Association, and based on the actual circumstances of the Company, the Company amended the Articles of Association (the "First Amendments"). The First Amendments have been approved by the 2017 second extraordinary general meeting of the Company held on 24 October 2017, but will only become effective upon the approval of the insurance regulatory authority in China. Details of the First Amendments are set out in the Company's announcement dated 28 August 2017 and the circular dated 8 September 2017. As at the Latest Practicable Date, the Company has yet to receive the approval from the insurance regulatory authority in China.

On 28 February 2018, the Board convened a meeting, considered and approved, among others, the resolution regarding the Amendments to the Articles of Association of China Reinsurance (Group) Corporation. According to the Guidance on Articles of Association for Insurance Companies issued by the CIRC, the Company amended the Articles of Association (the "Second Amendments"). The Second Amendments are subject to the approval by way of special resolution at the shareholders' general meeting of the Company, and will become effective upon the approval of the insurance regulatory authority in China. Details of the Second Amendments are set out in the Company's announcement dated 28 February 2018.

Prior to the approval on the above amendments by the insurance regulatory authority in China, the current Articles of Association shall remain valid. For details, please refer to the announcement published on 9 March 2016 by the Company on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinare.com.cn](http://www.chinare.com.cn)).



# CORPORATE GOVERNANCE REPORT

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## INVESTOR RELATIONS

The Company is committed to establishing and maintaining its good relationship with its investors, in strict compliance with the relevant provisions of full disclosure of information to investors, and enhancing communication with investors via different channels, actively and efficiently providing investors with services to enhance positive interaction and information exchanges between investors and the Company. With enhanced understanding and trust of the Company by investors, and increased transparency of the Company, the value of the Company can be fully reflected in the market.

In 2017, the Company held annual and interim results briefings, press conferences, and other investor relations activities in Hong Kong. An aggregate of over 230 investors, analysts and media representatives attended the conferences. The Company conducted two domestic and overseas results roadshows for one-on-one communication with over 40 large investment institutions. The Company participated in five domestic and overseas investment banking and brokerage investor summits to discuss with over 30 large investment institutions. The Company received over 80 domestic and overseas investors and analysts for investigations and research. Promotional materials in relation to the results briefings have been published on the website of the Company for reference.

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

## COMPLIANCE WITH SANCTIONS RELATED UNDERTAKINGS

We undertook to the Hong Kong Stock Exchange that we would not use the proceeds from the global offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctions targets. In addition, we have no present intention to undertake any future business that would cause the Group, the Hong Kong Stock Exchange, Hong Kong Securities Clearing Company Limited, HKSCC Nominees Limited or the shareholders to violate or become a target of sanctions laws of the United States, the European Union, the United Nations or Hong Kong. If we believe that the transactions the Group entered into in the sanctioned countries would expose the Group or shareholders and investors to risks of being sanctioned, the Company will publish such announcements as appropriate and in accordance with the Hong Kong Listing Rules and the SFO (the “Sanctions Related Undertakings”). During the Reporting Period, we were in strict compliance with its sanctions risk management policy to prohibit the conducting of any business that may cause the Group and relevant stakeholders to be subject to sanctions, and arranged trainings on the sanctions risk management. The Directors of the Company have confirmed that we have complied with the Sanctions Related Undertakings and will continue to do so in future daily operation. In the view that the sanction policies may keep adjusting, we will adjust the scale of business in due course subject to the sanction laws in the United States, the European Union, the United Nations or Hong Kong and the sanction risks of the Group and the stakeholders in order to achieve better returns for the shareholders and investors.



# REPORT OF THE BOARD OF DIRECTORS

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The Board presents its annual report for the year ended 31 December 2017, together with the audited financial statements of the Group for the year ended 31 December 2017.

## BUSINESS REVIEW

### Principal Business

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

### Business Review and Analysis of Key Financial Indicators

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

### Environmental Policies and Performance of the Company

China Re Group advocates the concept of greening and environment protection, attaches great importance to enhancing employees’ awareness of energy saving and environmental protection, and is committed to providing its employees with a safe and comfortable working environment. By adopting electronic work tools including the Group’s information platform, remarkable results have been achieved in paperless work. Through the management of energy saving and consumption reduction in office areas, the consumption of water, electricity, coal, gas and other energy was reduced. The Group encourages the use of videoconferences and teleconferences and reduces the use of vehicles owned by the Group and business trips in order to lower carbon emission and energy consumption arising from business travels. In addition, the Group has established a safety management system and organised safety supervision, inspection, promotion and training activities to enhance employees’ awareness of safety. We prohibit smoking at all workplaces to create a healthy and safe working environment. The Company is preparing the Environment, Social and Governance Report in accordance with the requirements of Appendix 27 of the Hong Kong Listing Rules and will publish it on websites of Hong Kong Stock Exchange and the Company in due course.

### Compliance with Relevant Laws and Regulations

As a joint-stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Hong Kong Stock Exchange, the Company is subject to the regulation of the PRC Company Law, the PRC Insurance Law, as well as the Hong Kong Listing Rules, the SFO and other relevant domestic and overseas laws and regulations.

The Company is subject to the following main regulatory requirements:

The insurance regulatory authority and other government departments in the PRC may conduct on-site or off-site inspections or investigations on compliance with the PRC laws and regulations in respect of our state-owned asset management, financial condition and business operation, solvency margin, tax, foreign exchange management, and labour and social welfare from time to time.

Under the Administrative Regulations for Insurance Companies, the insurance regulatory authority in China conducts both on-site and off-site inspections on insurance institutions for supervision and management. The on-site inspections on insurance institutions by the insurance regulatory authority in China may focus on the corporate management, administrative examination and approval, filing and reporting, reserves, solvency margin, use of funds, business operations and financial condition, transactions with insurance intermediaries, information system construction, appointment of senior management and other matters which the insurance regulatory authority in China considers material.

# REPORT OF THE BOARD OF DIRECTORS

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

The Group has implemented internal controls to ensure compliance with such laws and regulations. As at the end of the Reporting Period, as far as we were aware, there was no legal and/or regulatory procedure or dispute which, in the opinion of the Directors, may have a material adverse effect on our business, financial condition, operating results or prospects.

## Principal Risks and Uncertainties

Our business involves P&C reinsurance, life and health reinsurance, primary P&C insurance and asset management business. Although we have good risk management and control capability and uphold the concept of sustained and stable operation, there are still a number of risks and uncertainties involved in our business that are beyond our control. We believe the principal risks we may face in future include: insurance risk, market risk, credit risk, operational risk, strategic risk, reputation risk and liquidity risk. The future uncertainties include:

1. As the sustainability of global economy recovery remains uncertain with complicated international environment, we may face uncertainties in business and investments;
2. The implementation of the C-ROSS in China will continue to affect the reinsurance demands of insurance companies and the further intensification of market-oriented reform of commercial motor insurance rates will increase the competition in the primary P&C insurance market, which would increase uncertainties of our operating results;
3. The surplus underwriting capacity of the reinsurance industry and the occurrence of domestic and overseas catastrophic events will have impacts on our underwriting business.

## Non-adjusting Post Balance Sheet Date Events

Details are set out in Note 58 to the financial statements.

## Future Business Development of the Group

The Group determined its “One-Three-Five” strategy of “One Core, Three Breakthroughs and Five Progresses”. “One Core” refers to taking reinsurance as a core. “Three Breakthroughs” refers to making breakthroughs in aspects of innovation, synergy and fission. And “Five Progresses” refers to making progresses in scale, layout, technology, structure and culture. The Group aims to become a comprehensive reinsurance group with reinsurance as the core business in the immediate and medium term, and gradually moves towards a financial and insurance group featured in reinsurance in the long run with a commitment to providing long-term and competitive returns to shareholders.

# REPORT OF THE BOARD OF DIRECTORS

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## RESULTS AND PROFIT DISTRIBUTION

The Group's profit for the year ended 31 December 2017 and the financial performance of the Group as at that date are set out in the financial statements from pages 113 to 121.

### Final Dividend

The Board recommends the payment of final dividend for the year ended 31 December 2017 of RMB0.048 per share (tax inclusive), totalling approximately RMB2,039 million (the "2017 Final Dividend"). The 2017 Final Dividend is subject to the approval of shareholders of the Company at the 2017 annual general meeting, and is expected to be paid to the shareholders of the Company on Friday, 17 August 2018 whose names appear on the register of members of the Company as at Thursday, 5 July 2018 and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi in the interbank foreign exchange market for the last five business days up to and including the date of the 2017 annual general meeting published by China Foreign Exchange Trade System as authorised by the People's Bank of China.

The above profit distribution scheme will not result in a lower indicator of the Company's relevant solvency adequacy ratio than the regulatory requirements.

### Withholding and Payment of Income Tax on the Dividends Paid to Shareholders

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Announcement of the State Administration of Taxation in relation to the Administration Measures on Preferential Treatment of Non-residents under Tax Treaties (SAT Announcement 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and other relevant laws and regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the 2017 Final Dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between mainland China and Hong Kong (Macau). In this regard, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on the dividends for the individual holders of H shares:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.
- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.
- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of the dividend.

# REPORT OF THE BOARD OF DIRECTORS

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- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual holders of H shares in the distribution of the dividend.

If individual holders of H shares consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before Friday, 29 June 2018, a letter of entrustment and all application and relevant proving materials showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related treatments. If individual holders of H shares do not provide the Company with the relevant proving materials before the aforesaid deadline, they could go through the relevant procedures on their own or by attorney in accordance with the relevant provisions stipulated in the tax treaties. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding and Payment of the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

The cash dividends for the investors of H shares of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H share companies will not withhold and pay the income tax of dividends received by domestic enterprise investors from investing in the company of H shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will be the same as those for the holders of H shares.

Should the holders of H shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares.

# REPORT OF THE BOARD OF DIRECTORS

## SHARE CAPITAL

During the Reporting Period, there was no change in the total share capital of the Company. At the end of the Reporting Period, the total number of share capital of the Company was 42,479,808,085. Details are as follows:

No.	Name of Shareholder	Class of shares	Number of shares	Percentage of total share capital (%)
1	Central Huijin Investment Ltd.	Domestic shares	30,397,852,350	71.56
2	HKSCC (Nominees) Limited	H shares	6,663,097,600	15.68
3	Ministry of Finance of the PRC	Domestic shares	5,402,539,035	12.72
4	Other H shareholders	H shares	16,319,100	0.04
<b>Total</b>			<b>42,479,808,085</b>	<b>100.00</b>

Note: 1. The data disclosed above was based on the information provided on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The shares of the Company held by HKSCC (Nominees) Limited are on behalf of its clients and do not include the shares held by other H shareholders.

## PUBLIC FLOAT

The Company applied for and has been granted by the Hong Kong Stock Exchange a waiver at the time of listing regarding the lower percentage of public float. Based on the information that was publicly available to the Company as at the Latest Practicable Date and within the knowledge of the Directors, from the Listing Date to the Latest Practicable Date, the Company's public float was 15.72%, maintaining a sufficient public float as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules. For details of the above waiver, please refer to the section headed "Waivers from Compliance with the Listing Rules — Public Float" in the Prospectus.

## DISTRIBUTABLE RESERVES

As at the end of the Reporting Period, the retained profit of the Company available for distribution to its shareholders determined under IFRS and PRC GAAP was RMB3,913 million. For details, please refer to the section headed "Results and Profit Distribution — Final Dividend" of this chapter.

## BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

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

# REPORT OF THE BOARD OF DIRECTORS

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## RETIREMENT BENEFITS

The Group provides retirement benefits to employees, including enterprise annuity and defined benefit retirement plan. In 2017, the enterprise annuity contribution amounted to approximately RMB24.09 million and its defined benefit retirement plan contribution was approximately RMB4.94 million. Total annual enterprise contribution of annuity shall be provided at certain percentage of the total employee salaries of the previous year, and defined benefit retirement plan contribution will be paid from the accrued defined benefit retirement liabilities of the Company. Provided that employees are dismissed or break laws or regulations, unvested annuity contributions will be transferred back to the Company's annuity account to reduce any future contributions by the employees. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

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

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

Scope of remuneration	Number of individual
RMB0–RMB500,000	0
RMB500,001–RMB1,000,000	3
RMB1,000,001–RMB1,500,000	0
RMB1,500,001–RMB2,000,000	1
RMB2,000,001–RMB2,500,000	0
RMB2,500,001–RMB3,000,000	0
RMB3,000,001–RMB3,500,000	1
RMB3,500,001–RMB4,000,000	1

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

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

- Notes: 1. The remuneration standards for the Chairman, executive Directors, Chairman of the Board of Supervisors and senior management of the Company are determined in accordance with the relevant requirements of the Ministry of Finance and the Group Company. As of the Latest Practicable Date, the remuneration standards of the above personnel for 2017 have not been finally determined, and such remuneration was estimated figure (including benefit income). The remuneration of senior management members is determined based on their actual term of office.
2. As of the Latest Practicable Date, the Group has not completed the payment of performance bonus for the year 2017 and such remuneration is estimated figure.

# REPORT OF THE BOARD OF DIRECTORS

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## MAJOR CLIENTS

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

	Percentage of insurance income of the Group (%)
Largest insurance client	18.73
Top five insurance clients in total	40.06

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

## RELATIONSHIP WITH CLIENTS

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

## RELATIONSHIP WITH EMPLOYEES

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

## MAJOR SUBSIDIARIES

As at the end of the Reporting Period, the Company directly controlled seven major subsidiaries, namely China Re P&C, China Re Life, China Continent Insurance, China Re AMC, Huatai Insurance Agency, China Re UK and China Re Underwriting. Details are set out in Note 30 to the financial statements.

## PRE-EMPTIVE RIGHT

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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



# REPORT OF THE BOARD OF DIRECTORS

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## ISSUANCE OF US DOLLAR-DENOMINATED NOTES

On 3 February 2017, China Reinsurance Finance Corporation Limited (the “Issuer”) was established by China Re AMC HK, a wholly-owned subsidiary of China Re AMC, the Company’s subsidiary. In order to further support and serve the national strategy, implement the “One-Three-Five” Strategy of the China Re Group, broaden the sources of foreign exchange funds, and optimize asset allocation, China Re Group successfully issued notes with aggregate principal amounts of US\$800 million and US\$700 million (the “Notes”) through the Issuer, respectively on 9 March 2017 and 30 June 2017. The two tranches of notes were consolidated and formed a single series. The interest rate was 3.375% per annum payable semi-annually on 9 March and 9 September of each year. The maturity date of the Notes is 9 March 2022, unless earlier redeemed in accordance with the terms thereof. The issuance was supported by the Original and Supplemental Keepwell Deed executed by the Company, the Issuer and the trustee. The Company undertook to, among other things, procure the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable under or in respect of the Notes. The net proceeds from the issue of the Notes will be used for general corporate purposes and investments in offshore projects.

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

## CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group had charitable and other donations of approximately RMB9.31 million in aggregate.

## DIRECTORS

As of the Latest Practicable Date, the Directors were as follows:

### Executive Directors

Mr. Yuan Linjiang (Chairman)

Mr. He Chunlei

Mr. Ren Xiaobing

### Non-executive Directors

Ms. Lu Xiuli

Mr. Shen Shuhai

### Independent Non-executive Directors

Ms. Wang Jun

Mr. Hao Yansu

Mr. Li Sanxi

Ms. Mok Kam Sheung



# REPORT OF THE BOARD OF DIRECTORS

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## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Our Articles of Association provide that the remuneration of relevant Directors and Supervisors shall be determined by the shareholders of the Company at shareholders' general meetings from time to time. The remuneration of independent non-executive Directors shall be proposed by the Board and approved by shareholders' general meetings. Our Articles of Association provide that the Company shall enter into written contracts with the Directors and Supervisors in respect of remuneration with prior approval at shareholders' general meetings. Relevant Directors and Supervisors have entered into service contracts with the Company. The Directors, Supervisors and senior management receive remuneration in the form of basic salaries, fees, contribution to pension schemes, performance-based bonuses and income benefits. During the Reporting Period, none of the Directors or Supervisors entered into any service contract with the Company or its subsidiaries which would not be terminated within one year without payment of compensation other than statutory compensation.

For details of the changes in the Directors and Supervisors in 2017, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this report.

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

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

## PERMITTED INDEMNITY

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

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

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

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
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.	Beneficial owner	H Share	431,050,000	1.01	6.45

- Notes:
1. The data disclosed above were mainly based on the information provided on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). As far as the Company is aware of, after the over-allotment option was partially exercised in November 2015, the Ministry of Finance held 5,402,539,035 shares (domestic shares) of the Company, representing approximately 15.09% of relevant class of shares of the Company and 12.72% of the total issued shares of the Company.
  2. According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
  3. Great Wall Pan Asia International Investment Co., Ltd. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation in Hong Kong.
  4. As to the approximate percentage of relevant class shares of the Company held by Ministry of Finance, the denominator is the number of total share capital as at 31 December 2017 and the numerator is the number set out in the form of disclosure of interests. The percentage has been rounded.

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

# REPORT OF THE BOARD OF DIRECTORS

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## ADMINISTRATION AND MANAGEMENT CONTRACTS

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

## AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the audited financial statements of the Group for the year ended 31 December 2017.

## CORPORATE GOVERNANCE

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

## AUDITORS

In accordance with the relevant requirements of the Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (《金融企業選聘會計師事務所招標管理辦法(試行)》) (Cai Jin [2010] No. 169) issued by the Ministry of Finance and the Financial and Accounting Work Standards for Insurance Companies (《保險公司財會工作規範》) (Bao Jian Fa [2012] No. 8) issued by the CIRC in relation to the service term of auditors continuously engaged by an insurance company, KPMG Huazhen LLP and KPMG retired as the auditors of the Group on 20 June 2016. On the same day, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and overseas auditors of the Group respectively, and were re-appointed at the 2016 general meeting with a term till the conclusion of the next annual general meeting. Save as disclosed above, the Group did not change its auditors in the past three years.

The consolidated financial statements for the year ended 31 December 2017 of the Group were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers.

By order of the Board  
China Reinsurance (Group) Corporation



Yuan Linjiang  
*Chairman*

Beijing, the PRC  
28 March 2018

# REPORT OF THE BOARD OF SUPERVISORS

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

During the Reporting Period, the Board of Supervisors held four meetings, considered nine proposals and received 10 reports; the Performance Supervision and Inspection Committee under the Board of Supervisors held four meetings and considered four proposals; the Financial Supervision and Inspection Committee under the Board of Supervisors held one meeting and considered two proposals. All supervisors and members of the specialised committees attended all of the meetings above.

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

On 20 January 2017, the 10th (extraordinary) meeting of the third session of the Board of Supervisors was convened, during which the Resolution on the Election of Mr. Zhang Hong as Chairman of the Third Session of the Board of Supervisors of China Reinsurance (Group) Corporation was considered and unanimously approved.

On 30 March 2017, the 11th meeting of the third session of the Board of Supervisors was convened, during which five resolutions, including the Resolution on the 2017 Annual Work Plan of the Board of Supervisors of China Reinsurance (Group) Corporation, were considered and unanimously approved, and two reports, including the Report on the Thirteenth Five-year Plan of China Reinsurance (Group) Corporation, were received.

On 28 April 2017, the 12th (extraordinary) meeting of the third session of the Board of Supervisors was convened, during which two resolutions, including the Resolution on the Report of the Assessment of Duty Performance by the Board of Supervisors of China Reinsurance (Group) Corporation for the year 2016, were considered and unanimously approved, and six reports, including the Operation Report of China Reinsurance (Group) Corporation for the year 2016, were received.

On 25 August 2017, the 13th meeting of the third session of the Board of Supervisors was convened, during which the Report on the Supervision of Performance Remuneration and Business Expenses of the Board of Supervisors of China Reinsurance (Group) Corporation for the First Half of 2017 was considered and unanimously approved, and two reports, including the Report of the Special Investigation and Research on the Cooperation Works of Assets and Liability of the Board of Supervisors of China Reinsurance (Group) Corporation, were received.

# REPORT OF THE BOARD OF SUPERVISORS

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## ARRANGEMENT FOR PERFORMANCE MONITORING

Through attending shareholders' general meetings and the meetings of the Board and its specialised committees, members of the Board of Supervisors continuously monitored the Group's overall operation and management and related results, and supervised the performance of duties by Directors and senior management.

In accordance with the requirements of the Articles of Association and in conjunction with the requirements of shareholders, the Board of Supervisors organised the assessment of duty performance for the year of 2016 and issued an assessment opinion report. In accordance with the relevant working system requirements, the Board of Supervisors organised and completed the supervision and inspection on performance remuneration and business expenses for the year 2016 and the first half of 2017, and issued the related working report.

## ARRANGEMENT FOR FINANCIAL MONITORING

In 2017, the Board of Supervisors continued to carry out a daily financial monitoring to conduct dynamic monitoring of the consolidated and segment financial conditions of the Group, paid attention to tendency issues and provided timely warnings and reminders. It organised monitoring work to improve financial information quality, and communicated with the external auditors twice in respect of annual financial report auditing work, reminding them of key issues in the audited annual financial report.

## STRENGTHENING THE SUPERVISION WORKS ON THE INTERNAL RISK CONTROL

In 2017, the Board of Supervisors have organised and completed the special investigation and research on the cooperation works of assets and liability of China Re Group, conducted targeted inspection and assessment on the cooperation working mechanism of assets and liability of China Re Group and its implementation and provided opinion and suggestions for improving the related works.

The Board of Supervisors conducted in-depth investigation on the risk prevention and control works of primary institutions and personal loan insurance business institutions in China Continent Insurance, and put forward specified suggestions on strengthening the development of risk management and control ability.

The Board of Supervisors paid attention to the USD notes issuance and fundraising investment of China Re Group, communicated with the operational management and relevant subsidiaries and proposed to strengthen the risk management of investment business and improve the investment ability.

# REPORT OF THE BOARD OF SUPERVISORS

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## ESTABLISHING THE INFORMATION SYSTEM OF SUPERVISION WORKS FOR THE BOARD OF SUPERVISORS

In 2017, the Board of Supervisors has carried out the development and establishment of the first phase of information system of supervision works for the Board of Supervisors. Such system integrated and utilised various working information in a scientific and efficient manner, which enabled the accumulation and sharing of supervision data and information and effectively enhanced the efficiency and quality of supervision works.

## FACILITATING THE ESTABLISHMENT OF COMMUNICATION AND COLLABORATION MECHANISM OF SUPERVISION WORKS

In 2017, the Board of Supervisors promoted and established the communication and collaboration mechanism of the Board of Supervisors of China Re Group and the supervision, collaboration and communication mechanism of the Group Company's supervisory departments, which improved the communication and collaboration among the board of supervisors of the Group, demonstrated the joint efforts of supervisory departments and further improved the effectiveness of supervision.

By order of the Board of Supervisors  
China Reinsurance (Group) Corporation



Zhang Hong  
*Chairman of the Board of Supervisors*

Beijing, the PRC  
28 March 2018



To the Directors of China Reinsurance (Group) Corporation

Dear Sirs,

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

## 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 Group Company and its subsidiaries’ (“China Re Group”, the “Group”) life and health reinsurance business, covering the domestic legacy life and health reinsurance business of the Group Company and all business of China Life Reinsurance Company Limited (“China Re Life”) (“the Covered Business”).

As one of the core parts of this engagement, we have been asked to quantify and report on embedded value (“EV”) and value of one year’s new business (“1-year VNB”) of the Covered Business. This report has been prepared for inclusion in China Re Group 2017 Annual Report. The report summarises the scope of work carried out by EY, valuation methodology, valuation results as well as valuation assumptions used for the above mentioned work.

The China Association of Actuaries (“CAA”) issued the “Actuarial Practice Standards: Life and Health Insurance Embedded Value Reporting Guidelines” (“C-ROSS EV standards”) in November 2016, which indicated the formal implementation of EV under the China Risk Oriented Solvency System (“C-ROSS”). Based on those standards, we performed China Re Group EV and 1-year VNB calculation as at 31 December 2017.

## SCOPE OF WORK

The scope of our work is as follows:

- Quantifying embedded value of China Re Group as at 31 December 2017 under C-ROSS EV standards;
- Quantifying value of one year’s new business underwritten by the Group during the 12 months prior to 31 December 2017 under C-ROSS EV standards;



# EMBEDDED VALUE

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- Reviewing the assumptions used for value of in-force business (“VIF”) and value of one year’s new business valuation of China Re Group;
- Performing movement analysis of embedded value; and
- Performing sensitivity tests under alternative assumptions.

## VALUATION METHODOLOGY

We prepared EV results and the report based on the C-ROSS EV standards issued by CAA in November 2016.

In this report, embedded value of China Re Group is defined as the sum of adjusted net worth (“ANW”) of the Group and VIF of the Covered Business.

Since the Group does not hold 100% of all companies within it, ANW has excluded minority interests. As China Re Life is 100% owned by the Group, all of its VIF is included in the reported EV valuation results.

The adjusted net worth at the valuation date is defined as the sum of below two items:

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

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

1-year VNB is defined as the present value, at the inception, of the projected after-tax profits arising from the policies accepted during the 12 months prior to the valuation date less CoC required to support the 1-year new business. For short-term reinsurance business of primary insurance with a policy term of one year or less, the renewal business is not considered as new business.

# EMBEDDED VALUE

## VALUATION RESULTS

The embedded value and value of one year's new business results as at 31 December 2017 and the corresponding results as at prior valuation date are summarised as below:

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

Valuation Date	31 Dec 2017	31 Dec 2016
Embedded value		
Adjusted net worth	76,174	72,774
including: adjusted net worth of life and health reinsurance business	16,171	14,443
Value of in-force business before CoC	6,860	5,365
Cost of Capital	(2,546)	(1,608)
Value of in-force business after CoC	4,314	3,757
Embedded value	80,488	76,531
including: embedded value of life and health reinsurance business	20,484	18,200
Value of new business		
Value of one year's new business before CoC	2,422	1,779
Cost of Capital	(932)	(559)
Value of one year's new business after CoC	1,489	1,220

Note: Figures may not add up due to rounding.

# EMBEDDED VALUE

## MOVEMENT ANALYSIS

The table below shows the movement analysis of China Re Group's EV from 31 December 2016 to 31 December 2017.

**Table 2: Movement analysis of EV from 31 December 2016 to 31 December 2017**  
(in RMB millions)

No.	Item	Amount	Details
1	EV of life and health reinsurance business as at 31 December 2016	18,200	EV as at 2016 year end under C-ROSS EV standards
2	Model change	(125)	Model improvement
3	Modified EV of life and health reinsurance business as at 31 December 2016	18,074	EV as at 2016 year end under C-ROSS EV standards after model improvement
4	Expected return on EV at the beginning of the year	1,379	Expected return on EV as at 2016 year end in the year of 2017
5	Impact of new business	1,696	Impact of new business in the year of 2017
6	Impact of market value adjustments and other adjustments	(242)	Changes from asset market value adjustments and other adjustments
7	Economic experience variances	344	Difference between actual investment income and expected investment income in the year of 2017
8	Operating experience variances	83	Difference between actual operational experience and expected operational results in the year of 2017
9	Change in assumptions	(261)	Adjustments to assumptions at 2017 year end
10	Others	(101)	
11	Capital injection and shareholder dividend payment	(489)	Capital injection to China Re Life and dividend paid to the Group Company by China Re Life
12	EV of life and health reinsurance business as at 31 December 2017	20,484	EV as at 2017 year end under C-ROSS EV standards
13	EV of other business of the Group as at 31 December 2016	58,332	
14	Profit from other business in the year of 2017	3,430	
15	Impact of market value adjustments and other adjustments	(165)	Changes from asset market value adjustments and other adjustments
16	Others	(44)	
17	Capital injection and shareholder dividend payment	(1,550)	Capital injection to subsidiaries, dividend paid to the Group Company by subsidiaries and dividend paid to shareholders by China Re Group

# EMBEDDED VALUE

No.	Item	Amount	Details
18	EV of other business of the Group as at 31 December 2017	60,004	
19	EV of the Group as at 31 December 2017	80,488	

Note: Figures may not add up due to rounding.

## VALUATION ASSUMPTIONS

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

The assumptions applied in the valuation of EV and 1-year VNB of China Re Group as at 31 December 2017 are summarised as below.

### Risk Discount Rate

This report illustrates EV and 1-year VNB results by using risk discount rate of 10.5%.

### Investment Return Rates

The following table summarises the assumptions of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2017:

**Table 3: Assumptions of investment return rates used for VIF and 1-year VNB valuation as at 31 December 2017**

	2018	2019	2020	2021	2022– 2027	2028+
Non asset-driven business	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Asset-driven business — Domestic Universal Life	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Asset-driven business — Domestic Other	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Asset-driven business — Overseas	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%

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

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

# EMBEDDED VALUE

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## Policyholder Dividend

Policyholder dividend has been derived in accordance with the dividend policy stipulated in the reinsurance contracts. The surplus of the participating business is the sum of interest surplus and mortality surplus, and 70% of the surplus is assumed to be distributed to policyholders. Moreover, interest surplus is determined either based on the dividend policies stipulated in the reinsurance contracts or the Group's assumptions for investment return rates.

## Mortality and Morbidity Rates

The assumptions of mortality and morbidity rates are based on the recent experience of China Re Group and the overall experience of China life and health insurance market. Mortality and morbidity assumptions vary by product categories.

## Short-term Reinsurance Business

Short-term reinsurance business refers to the reinsurance business for short-term primary insurance with the policy term of one year or less, and the primary insurance business, upon renewal, will continue to be ceded to China Re Life. 1-year VNB for short-term reinsurance business is based on the estimated new business premium within one year.

## Claim Ratio

The claim ratio assumptions are only relevant to short-term reinsurance business and YRT reinsurance business, and are determined on contract basis according to the claim experience of recent years.

## Discontinuance Rates

The assumptions of discontinuance rates are determined based on the actual experience in recent years, current and future expectations, and the understanding of the overall China life and health insurance market. Discontinuance assumptions vary by product categories and premium payment types.

## Expenses

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

The commission rates, sliding scale commission rates and profit commission rates for short-term reinsurance business are determined according to recent experience on contract basis.

## Tax

Currently, corporate income tax is assumed to be 25% of taxable profit. And some percentage of investment return is assumed to be tax free based on current experience and future expectation.

## SENSITIVITY

We have performed a series of sensitivity tests on alternative assumptions for value of in-force business and value of one year's new business of the life and health reinsurance business of China Re Group as at 31 December 2017. For each test, only the referred assumption is changed, while the other assumptions are kept unchanged. Results of the sensitivity tests are shown as below:

**Table 4: Sensitivity Test Results of VIF and 1-year VNB of China Re Group as at 31 December 2017**  
(in RMB millions)

Scenarios	Value of in-force business after Cost of Capital	Value of one year's new business after Cost of Capital
Base scenario	4,314	1,489
Risk discount rate increased by 100 basis points	3,778	1,310
Risk discount rate decreased by 100 basis points	4,933	1,699
Annual investment return rates increased by 50 basis points	5,397	1,770
Annual investment return rates decreased by 50 basis points	3,225	1,208
Mortality and morbidity rates increased by 10%	4,245	1,489
Mortality and morbidity rates decreased by 10%	4,383	1,489
Discontinuance rates increased by 10%	4,191	1,425
Discontinuance rates decreased by 10%	4,443	1,556
Management expenses increased by 10%	4,235	1,454
Management expenses decreased by 10%	4,392	1,525
Combined ratio of short-term reinsurance contracts increased by 1% on absolute basis	4,058	1,335
Combined ratio of short-term reinsurance contracts decreased by 1% on absolute basis	4,545	1,643

## 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 31 December 2017.

In particular, we have relied on:

- Information regarding the in-force reinsurance contracts and retrocessional reinsurance contracts of the Group Company and China Re Life;
- Policy data covering the in-force long-term reinsurance contracts of the Group Company and China Re Life;
- Model points of the in-force yearly renewable term reinsurance contracts of the Group Company and China Re Life;
- Information regarding the accumulated amount of the in-force survival benefit and policy dividend of the Group Company and China Re Life;

# EMBEDDED VALUE

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- Information regarding the C-ROSS reserve and accounting reserve of the Group Company and China Re Life;
- Information regarding the gross written premium from short-term reinsurance contracts of the Group Company and China Re Life;
- Information regarding the ceded gross premium for short-term retrocessional contracts of the Group Company and China Re Life;
- Information relevant to adjusted net worth and historical financial information of the Group Company and China Re Life;
- Information regarding the experience statistics and experience analysis results of the Group Company and China Re Life in 2015, 2016 and 2017;
- Information regarding the future investment strategy and tax exempted proportion of investment income of the Group Company and China Re Life; and
- Information regarding the foreign currency policies and foreign exchange rate of the Group Company and China Re Life.

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

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

This report is based on the information obtained by EY as at 31 December 2017, and any future development and changes of such information after that date will not be accounted for.

## DISCLOSURE

EY has been engaged by the Group Company in providing opinions and assistance regarding to actuarial matters of embedded value of life and health reinsurance business of China Re Group. Readers should consider all contents of this report in their entirety, as a section or several sections in isolation may not provide the right context or sufficient information for drawing proper conclusion. EY will take no responsibility for contents other than those contained in this actuarial consultants' report.

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

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

# INDEPENDENT AUDITOR'S REPORT

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**To the Shareholders of China Reinsurance (Group) Corporation**  
*(incorporated in the People's Republic of China with limited liability)*

## OPINION

### WHAT WE HAVE AUDITED

The consolidated financial statements of China Reinsurance (Group) Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 232, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



# INDEPENDENT AUDITOR'S REPORT

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## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Significant insurance risk test — reinsurance contracts
- Valuation of insurance contract liabilities — long-term life and health reinsurance contract liabilities
- Valuation of insurance contract liabilities — claim reserves
- Valuation of unlisted equity instruments

### Key Audit Matter

### How our audit addressed the Key Audit Matter

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Significant insurance risk test — reinsurance contracts

Refer to notes 2(23), 3(2)(a), 5 and 42 to the consolidated financial statements.

The Group performed significant insurance risk test for its assumed reinsurance contracts to determine the classification of these contracts and the corresponding accounting treatment.

When performing the quantitative test, the Group uses certain actuarial assumptions, such as loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution. The Group determines such assumptions based on its historical experiences and estimation on future development trends for its insurance products. We focused on this area because the development of assumptions requires the use of significant management judgement.

For the year ended 31 December 2017, the gross written premiums for reinsurance contracts that passed the testing of significant insurance risk was RMB68.07 billion, representing 62.1% of the Group's total income. On the other hand, the contracts that did not pass the testing of significant insurance risk were recognised as investment contract liabilities and were measured at amortised cost of RMB12.95 billion, representing 7.7% of the Group's total liabilities as at year end.

We, with the assistance of our own actuarial experts, performed the audit procedures listed below.

We obtained an understanding of the Group's policies and procedures of significant insurance risk test by performing inquiries of management and inspection of supporting documentation. We compared the policies and procedures adopted in management's test to the industry practice.

On a sample basis, we checked the appropriateness of the actuarial assumptions, including loss ratio, mortality and morbidity rates, and the mean and standard deviation of the loss distribution, applied by the management by comparing them to the Group's historical data.

We also recalculated the Group's computation of the significant insurance risk test and checked the classification of the selected contracts according to the test result.

Based on our audit procedures performed above, we found no material exception.

# INDEPENDENT AUDITOR'S REPORT

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Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities — long-term life and health reinsurance contract liabilities	We, with the assistance of our own actuarial experts, performed the audit procedures listed below.
Refer to notes 3(2)(b) and 43 to the consolidated financial statements.	We assessed the Group's methodology for calculating long-term life and health reinsurance contract liabilities against recognised actuarial practices.
As at 31 December 2017, the Group had significant long-term life and health reinsurance contract liabilities of RMB46.13 billion, representing 27.6 % of the Group's total liabilities.	We assessed the reasonableness of key assumptions including discount rates, mortality and morbidity rates, surrender rates and expense assumptions used in the valuation models by comparing them to the Group's historical experiences.
The valuation of long-term life and health reinsurance contract liabilities is determined using multiple complex models which were set up based on the terms of the Group's reinsurance contracts.	On a sample basis, we accessed the appropriateness of actuarial models by independently modelling selected contracts.
The main actuarial assumptions adopted in the valuation models include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, and expense assumptions.	Based on our audit procedures performed, we found no material exception.
The determination of assumptions used at the balance sheet date requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.	

# INDEPENDENT AUDITOR'S REPORT

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Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of insurance contract liabilities — claim reserves</p> <p>Refer to notes 3(2)(b) and 43 to the consolidated financial statements.</p> <p>As at 31 December 2017, the Group had significant claim reserves of RMB37.11 billion, representing 22.2% of the Group's total liabilities.</p> <p>The valuation of claim reserves is determined using multiple complex models which were set up based on the terms of the Group's insurance contracts.</p> <p>The main assumption in measuring the claim reserves is developed using the Group's experience of historical claims, which can be used to project the trend of future claims and hence ultimate claim costs. Accordingly, management extrapolates the amount of paid and incurred losses, average costs per claim and claim number of primary insurance contracts, based on the observed development of earlier years to develop the expected loss ratios for estimating the claim reserves.</p> <p>The determination of the main assumption on future claims requires the use of management judgement and it involves significant uncertainty of future events and hence we focused our work in this area.</p>	<p>We, with the assistance of our own actuarial experts, performed the audit procedures listed below.</p> <p>For major lines of business, we assessed the reasonableness of the key assumptions, such as ultimate loss ratio, risk factor, claims adjustment expenses, which were used in the valuation models by comparing them to the Group's historical data.</p> <p>For the selected lines of business, we also compared the Group's computation of claim reserves with an estimated range of valuation result independently developed by us.</p> <p>We evaluated the overall reasonableness of the claim reserves by performing the comparison of the actual experiences to previously expected results and assessed the adequacy of the estimated liability as at year end.</p> <p>Based on our audit procedures performed, we found no material exception.</p>

# INDEPENDENT AUDITOR'S REPORT

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Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of unlisted equity instruments</p> <p>Refer to notes 3(2)(c) and 51 to the consolidated financial statements.</p> <p>The Group's unlisted equity instruments stated at RMB12.26 billion representing 5.0% of the Group's total assets as at the balance sheet date. These unlisted equity instruments were classified under available-for-sale financial assets and financial assets at fair value through profit or loss, and were classified as level 3 for fair value measurement purposes.</p> <p>We focused on the valuation of these instruments because it involves a high degree of estimation uncertainty as they are valued based on models, assumptions and inputs such as credit premium and valuation multiples of comparable companies which are not observable from the market.</p>	<p>We evaluated the design and tested certain key internal controls over management's investment valuation process, such as management's review over key assumptions and inputs.</p> <p>We involved our internal valuation experts in assessing management's pricing model of the Group's investments against industry practice and valuation guidelines.</p> <p>We checked the appropriateness of the unobservable assumptions and inputs such as credit premium and valuation multiples of comparable companies used in the valuation by comparing them with comparable market data.</p> <p>Based on our audit procedures performed, we found no material exception.</p>

# INDEPENDENT AUDITOR'S REPORT

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## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

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## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

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## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 March 2018

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2017	2016
Gross written premiums	5	105,336,468	86,677,227
Less: Premiums ceded to reinsurers and retrocessionaires	5	(4,401,329)	(3,536,754)
Net written premiums	5	100,935,139	83,140,473
Changes in unearned premium reserves	6	(2,651,837)	(520,548)
Net premiums earned		98,283,302	82,619,925
Reinsurance commission income		953,294	804,346
Investment income	7	9,260,154	7,738,840
Exchange (losses)/gains, net		(155,896)	386,344
Other income	8	1,330,047	814,989
<b>Total income</b>		<b>109,670,901</b>	<b>92,364,444</b>

The accompanying notes on pages 122 to 232 form part of these financial statements.



# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2017	2016
<b>Total income</b>		<b>109,670,901</b>	92,364,444
Claims and policyholders' benefits	9	(74,971,977)	(61,247,667)
— Claims incurred		(37,098,920)	(33,514,316)
— Life and health reinsurance death and other benefits paid		(28,307,952)	(42,859,432)
— Changes in long-term life and health reinsurance contract liabilities		(9,565,105)	15,126,081
Handling charges and commissions	10	(16,653,761)	(13,834,923)
Finance costs	11	(429,917)	(136,897)
Other operating and administrative expenses	12	(12,294,992)	(12,188,931)
<b>Total benefits, claims and expenses</b>		<b>(104,350,647)</b>	(87,408,418)
Share of profits of associates		1,630,814	1,446,146
<b>Profit before tax</b>	13	<b>6,951,068</b>	6,402,172
Income tax	16	(1,615,033)	(1,168,980)
<b>Profit for the year</b>		<b>5,336,035</b>	5,233,192
<b>Attributable to:</b>			
Equity shareholders of the parent		5,256,296	5,146,052
Non-controlling interests		79,739	87,140
<b>Profit for the year</b>		<b>5,336,035</b>	5,233,192
<b>Earnings per share (in RMB)</b>	18		
— Basic		0.12	0.12
— Diluted		0.12	0.12

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2017	2016
<b>Profit for the year</b>		<b>5,336,035</b>	<b>5,233,192</b>
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	45(a)	(12,919)	4,674
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, after tax		(84,890)	(155,560)
Available-for-sale financial assets, after tax		198,924	(2,073,054)
Exchange differences on translation of financial statements of foreign operations		(7,424)	(4,011)
Other comprehensive income for the year after tax	19	93,691	(2,227,951)
<b>Total comprehensive income for the year</b>		<b>5,429,726</b>	<b>3,005,241</b>
<b>Attributable to:</b>			
Equity shareholders of the parent		5,349,204	2,949,550
Non-controlling interests		80,522	55,691
<b>Total comprehensive income for the year</b>		<b>5,429,726</b>	<b>3,005,241</b>

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2017	31 December 2016
<b>Assets</b>			
Cash and short-term time deposits	20	10,753,859	16,833,425
Financial assets at fair value through profit or loss	21	7,206,613	4,232,310
Financial assets held under resale agreements	22	2,558,402	4,252,301
Premiums receivable	23	4,367,458	2,127,083
Reinsurance debtors	24	23,021,065	21,009,260
Reinsurers' share of insurance contract liabilities	43	4,880,801	4,892,663
Time deposits	25	5,239,747	13,505,066
Available-for-sale financial assets	26	78,948,328	56,244,050
Held-to-maturity investments	27	25,982,685	18,483,057
Investments classified as loans and receivables	28	32,871,394	25,893,884
Reinsurers' share of policy loans		419,502	365,622
Investment contracts receivable	29	851,538	124,343
Investments in associates	31	14,876,449	12,450,926
Statutory deposits	32	14,561,460	14,718,052
Investment properties	33	2,748,309	3,121,808
Property and equipment	34	2,624,086	2,547,472
Intangible assets	35	404,002	347,898
Goodwill	36	1,188,538	1,188,538
Deferred tax assets	37	1,122,813	838,155
Other assets	38	8,173,076	8,031,458
<b>Total assets</b>		<b>242,800,125</b>	<b>211,207,371</b>

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2017	31 December 2016
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Derivative financial instruments	39	47,608	—
Securities sold under agreements to repurchase	40	7,710,503	2,737,680
Reinsurance payables	41	11,874,955	12,217,369
Income tax payable		483,742	189,211
Policyholders' deposits		1,669,166	1,286,131
Investment contract liabilities	42	12,946,807	11,530,102
Insurance contract liabilities	43	108,126,306	95,180,594
Notes payable	44	9,679,806	—
Deferred tax liabilities	37	1,087,946	1,036,157
Other liabilities	45	13,802,787	14,890,274
<b>Total liabilities</b>		<b>167,429,626</b>	<b>139,067,518</b>
<b>Equity</b>			
Share capital	46	42,479,808	42,479,808
Reserves	47	14,254,671	13,241,223
Retained profits	47	17,632,428	15,460,852
Total equity attributable to equity shareholders of the parent		74,366,907	71,181,883
Non-controlling interests		1,003,592	957,970
<b>Total equity</b>		<b>75,370,499</b>	<b>72,139,853</b>
<b>Total liabilities and equity</b>		<b>242,800,125</b>	<b>211,207,371</b>

Approved and authorised for issue by the Board of Directors on 28 March 2018.

**Yuan Linjiang**  
Director

**He Chunlei**  
Director

**Yu Qing**  
Vice President, responsible for accounting

**Tian Meipan**  
Chief Actuary

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the parent											Total equity	
	Note	Reserves									Non-controlling interests		
		Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits			
As at 1 January 2017		42,479,808	8,166,044	1,440,315	3,470,711	9,968	(2,773)	159,331	(2,373)	15,460,852	71,181,883	957,970	72,139,853
Changes in equity for the year													
Profit for the year		—	—	—	—	—	—	—	—	5,256,296	5,256,296	79,739	5,336,035
Other comprehensive income	19	—	—	—	—	—	(12,919)	113,251	(7,424)	—	92,908	783	93,691
<b>Total comprehensive income</b>		—	—	—	—	—	(12,919)	113,251	(7,424)	5,256,296	5,349,204	80,522	5,429,726
Appropriations to surplus reserve		—	—	352,780	—	—	—	—	—	(352,780)	—	—	—
Appropriations to general risk reserve		—	—	—	692,909	—	—	—	—	(692,909)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)	(34,919)	(2,073,950)
Capital injection from minority shareholders		—	—	—	—	—	—	—	—	—	—	19	19
Others		—	(125,149)	—	—	—	—	—	—	—	(125,149)	—	(125,149)
As at 31 December 2017		42,479,808	8,040,895	1,793,095	4,163,620	9,968	(15,692)	272,582	(9,797)	17,632,428	74,366,907	1,003,592	75,370,499

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2017

(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 reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal		
As at 1 January 2016		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 year													
Profit for the year		—	—	—	—	—	—	—	—	5,146,052	5,146,052	87,140	5,233,192
Other comprehensive income	19	—	—	—	—	—	4,674	(2,197,165)	(4,011)	—	(2,196,502)	(31,449)	(2,227,951)
<b>Total comprehensive income</b>		—	—	—	—	—	4,674	(2,197,165)	(4,011)	5,146,052	2,949,550	55,691	3,005,241
Appropriations to surplus reserve		—	—	390,993	—	—	—	—	—	(390,993)	—	—	—
Appropriations to general risk reserve		—	—	—	767,273	—	—	—	—	(767,273)	—	—	—
Distributions to shareholders		—	—	—	—	—	—	—	—	(1,954,071)	(1,954,071)	(37,886)	(1,991,957)
Capital injection from minority shareholders		—	—	—	—	—	—	—	—	—	—	170,500	170,500
Others		—	(827)	—	—	—	—	—	—	—	(827)	—	(827)
As at 31 December 2016		42,479,808	8,166,044	1,440,315	3,470,711	9,968	(2,773)	159,331	(2,373)	15,460,852	71,181,883	957,970	72,139,853

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2017	2016
<b>Operating activities</b>			
Cash generated from operations	49(a)	8,121,128	(1,113,500)
Income tax paid		(1,264,012)	(1,640,992)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>6,857,116</b>	<b>(2,754,492)</b>
<b>Investing activities</b>			
Interests received		5,563,697	5,914,430
Dividends received		887,919	1,275,968
Purchases of property and equipment, investment properties and intangible assets		(493,645)	(293,566)
Proceeds from disposals of property and equipment, investment properties and intangible assets		1,187,910	21,205
Purchases of investments		(140,904,703)	(82,002,555)
Proceeds from disposals of investments		111,668,853	84,525,954
Disposals of associates		919,323	677,625
Investments in associates		(1,038,798)	(2,820,265)
<b>Net cash flows (used in)/generated from investing activities</b>		<b>(22,209,444)</b>	<b>7,298,796</b>

The accompanying notes on pages 122 to 232 form part of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2017	2016
<b>Financing activities</b>			
Changes in third party investors' interests of consolidated structured entities, net		480,528	278,353
Capital injection from minority shareholders		20	170,500
Payment for shares issuance costs		(75,857)	(282,959)
Proceeds from notes issued		10,248,099	—
Interests paid		(354,618)	(137,907)
Dividends paid to equity shareholders of the parent		(2,034,452)	(5,350,702)
Dividends paid by subsidiaries to non-controlling interests		(34,919)	(71,729)
Securities sold under agreements to repurchase, net		3,255,916	(3,023,136)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>11,484,717</b>	<b>(8,417,580)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,867,611)</b>	<b>(3,873,276)</b>
Cash and cash equivalents at the beginning of the year		16,670,213	19,872,898
Effect of foreign exchange rate changes		(734,006)	670,591
<b>Cash and cash equivalents at the end of the year</b>	49(b)	<b>12,068,596</b>	<b>16,670,213</b>

The accompanying notes on pages 122 to 232 form part of these financial statements.



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 1 CORPORATE INFORMATION

The predecessor of China Reinsurance (Group) Corporation (the “Company”), PICC Reinsurance Company Limited, was 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 Jingrong Avenue, Xicheng District, Beijing 100033, the PRC.

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

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### (1) Basis of preparation

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

For the purpose of preparing the consolidated financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the current year’s financial statements, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the year ended 31 December 2017 are set out in Note 56.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (2) Basis of measurement

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

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

- financial instruments classified as available-for-sale or as financial assets and liabilities at fair value through profit or loss and derivative instrument (see Note 2(11) and Note 2(12)).
- reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods (see Note 2(24)).

#### (3) Changes in accounting policies

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2017:

Amendments to IAS 12	Income taxes (1)
Amendments to IAS 7	Statement of cash flows (2)
Amendment to IFRS 12	Disclosure of interest in other entities (3)

- (1) The IASB has issued amendments to IAS 12, 'Income taxes'. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- (2) The IASB has issued an amendment to IAS 7, 'Statement of cash flow'. These amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- (3) The amendment is part of the annual improvements to IFRSs 2014–2016 cycle. It clarifies that the disclosure requirement of IFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para. B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Changes in accounting estimates

In determining insurance contract liabilities, assumptions such as discount rate, mortality and morbidity, surrender rate, and expense assumptions are applied to long term life and health reinsurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group changed the above assumptions based on current information available as at 31 December 2017 (mainly the risk free discount rate, and surrender rate, mortality and morbidity) and updated estimate for future cash flows, with the corresponding impact on insurance contract liabilities taken into the current year's statement of income. As a result of such changes in assumptions, long term life and health reinsurance contracts liabilities were increased by RMB316 million as at 31 December 2017 and the profit before tax for the year ended 31 December 2017 was decreased by RMB316 million.

#### (5) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (5) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(11)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(7)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(21)(b)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### (6) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity. In assessing whether the Group is acting as principal, the Group considers factors such as scope of the asset manager's decision-making authority; rights held by other parties; remuneration to which it is entitled; and exposure to variability of returns from its involvement with structured entities. The Group will make reassessment when the factors change.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (7) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(21)(b)). Any excess over cost at acquisition-date, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(11)).

In the Company's statements of financial position, investments in associates are accounted for using equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (8) Goodwill

Goodwill represents the excess of

- (a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(21)(b)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

#### (9) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term time deposits, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

#### (10) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates or at the rates that approximate the spot exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

#### (11) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading and those designated at fair value through profit or loss are classified as financial assets at fair value through profit or loss. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Dividends or interest earned on these investments are recognised in accordance with the policies set out in Note 2(27)(c).

Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(21)(a)).

Debt securities classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, debt securities classified as loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses (see Note 2(21)(a)).

Investments which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(21)(a)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest rate method are recognised in profit or loss in accordance with the policies set out in Note 2(27)(c). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(21)(a)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset.



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (12) Derivatives and hedging activities

The Group uses derivatives to hedge its exposure on risks. The Group adopts hedge accounting for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group records the relationship between the hedging instrument and the hedged item as well as its risk management objectives and the strategy of executing the hedging transaction at the beginning of the transaction. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

##### (i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

##### (ii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate at each balance sheet date that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (13) Financial assets held under resale agreements and securities sold under agreements to repurchase

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Securities sold under agreements to repurchase are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under agreements to repurchase in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under agreements to repurchase continue to be recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest rate method and is included in interest income and interest expenses, respectively.

#### (14) Reinsurance debtors and other receivables

Reinsurance debtors represent receivables from reinsurance contracts.

Reinsurance debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts (see Note 2(21)(a)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

#### (15) Policyholders' deposits, investment contract liabilities, reinsurance and other payables

Rights under contracts that do not transfer significant insurance risk are accounted for as investment contracts. Reinsurance payables are primarily premiums, benefits and claims payable for reinsurance contracts, which are recognised as an expense when due. Policyholders' deposits are the payments received in advance by the Group which represent amounts, including interest, collected from contracts not yet effective as renewal payment as at the end of the reporting period.

Policyholders' deposits, investment contract liabilities, reinsurance and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (16) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (17) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

An investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of investment properties is 15 to 35 years.

The residual value, the useful life and the depreciation method are reviewed at least at end of the reporting period to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

#### (18) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(21)(b)). The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (18) Property and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	15 – 35 years
Machinery and equipment	3 – 11 years
Motor vehicles	5 – 8 years
Office and electronic equipment	3 – 8 years
Leasehold improvement	lease terms

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses (see Note 2(21)(b)), and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

#### (19) Intangible assets (other than goodwill)

Intangible assets are mainly the value of business acquired and software.

##### Value of business acquired (“VOBA”)

Insurance contract liabilities for long-term insurance business arising from business combination are recognised at the carrying amount. The difference between its carrying value and fair value, calculated as the present value of future profits arising from the enforceable insurance business at the acquisition date, is recorded as VOBA. The calculation of discounted future profits is based on the estimation at the acquisition date using the actuarial assumptions, as well as the cost of capital at the acquisition date and a risk-adjusted discount rate.

VOBA is recognised as an intangible asset on the consolidated statements of financial position, and amortised in line with gross profit margins expected to realise within the contract periods over the remaining effective policy contract periods. The estimated gross profit margins include mortality surplus, expense surplus, interest surplus and surrender gains.

During the liability adequacy test, the recoverability of VOBA is reviewed based on the actual experience of enforceable business and the updated key assumptions. VOBA is derecognised when underlying insurance contracts are terminated or commuted.

##### Software

Purchased software is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(21)(b)).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	3 – 10 years
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Both the period and method of amortisation are reviewed annually.

#### (20) Share capital

##### Ordinary shares

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

#### (21) Impairment of assets

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

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) Impairment of assets (continued)

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

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, including :
  - (i) the market price of the equity securities was more than 50% below their cost at the reporting date;
  - (ii) the market price of the equity securities was more than 20% below their cost for a period of at least six months at the reporting date; and
  - (iii) the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

*Investments classified as held-to-maturity and loans and receivables, reinsurance debtors and other receivables*  
The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (21) Impairment of assets (continued)

##### (b) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment;
- investment properties;
- intangible assets;
- investments in subsidiaries and associates; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (22) Insurance contracts

Insurance contracts are those contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (“the insured event”) adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

The Group’s insurance contracts comprise primary insurance contracts and reinsurance contracts.

#### (23) Testing the significance of insurance risk

For contracts that contain both insurance risks and non-insurance risks, and where insurance risks and non-insurance risks can be distinguished and measured separately, the insurance risks and non-insurance risks should be unbundled. Insurance risk components should be treated as insurance contracts while other risk components should be treated as non-insurance contracts. When the insurance risk components and other risk components cannot be distinguished, or could be distinguished but not be measured separately, the entire contract should be treated as an insurance contract if the insurance risk is significant, otherwise it should be treated as a non-insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts.

For reinsurance contracts, the Group uses the contract (or facultative insurance policy) as a basic unit for the risk significance test. Tests can be combined for small business contracts or facultative insurance policies. If it is specified in the terms of a contract that its payment responsibility changes according to another contract’s claim amount, those contracts should be combined for risk significance test. For primary property and casualty insurance contracts, the Group uses the product as a risk significance test unit. If the test results show that insurance accident specified in the contract may result in significant additional benefits paid by the Group, the contract is recognised as a significant risk contract, except for those with no commercial substance. The additional benefits above-mentioned refer to the amount the Group pays when an accident occurs in excess of the amount the Group pays when an accident does not occur. A contract has no commercial substance if it has no identifiable impacts on either the Group or its counter-party’s economic interests.

The Group’s other contracts that do not meet the definition of an insurance contract (“investment contract”) should be recognised and measured according to relevant accounting policies for financial assets or liabilities.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group’s product characteristics and actual claim payments.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (24) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life and health insurance contract reserves. The Group measures the insurance contract reserves at the end of the reporting period.

When the Group calculates the insurance contract reserves, it combines the insurance contracts with homogeneous insurance risks as one measuring unit.

The Group calculates the insurance contract reserves based on the future expected net cash flows arising from insurance contracts with consideration of the time value of money. Future cash inflows mainly include future insurance premium, future salvage and subrogation on incurred claims. Future cash outflows mainly include claims paid to the insureds, surrender payments, and loss adjustment expenses, etc. The reinsurance contracts also take the adjustable commission and profit commission into consideration. If the effect of time value of money is significant, the Group will discount the relative future cash flows. The Group determines the discount rate based on the latest obtainable information at the end of the reporting period.

The Group considers the margin factor and measures separately when determining the reserve of insurance contracts. During the period of insurance, the Group uses a systematic and reasonable method to record the margin in the current period profit or loss. At the inception of the contracts, the Group does not recognise day-one gain, whereas in contrast, day-one loss is recognised directly in profit or loss.

The Group evaluates the cash flows of insurance contracts and related reinsurance contracts separately. Meanwhile, the Group calculates the corresponding reserves that shall be recovered from the reinsurer and retrocessionaire and recognises the corresponding insurance reserve receivable as an asset.

#### Unearned premium reserves

The Group adopts the larger of the following as the unearned premium reserves for property and casualty, accident and short-term life and health insurance contracts:

- (i) For reinsurance contracts, the result of applying 1/8 method, 1/24 method or 1/365 method on the difference between written premiums and acquisition costs; for primary insurance contracts, the result of applying 1/365 method on the difference between written premiums and acquisition costs.
- (ii) The discounted net future cash outflows including claim payments, maintenance expenses, loss adjustment expenses, and corresponding risk margin. Risk margin is determined using the 75% percentile approach, and the cost of capital approach, with reference to the relevant industry benchmarks.

The acquisition costs of the Group's reinsurance contracts primarily include reinsurance commissions and insurance supervision fees. The acquisition costs of the Group's primary insurance contracts primarily include handling charges and commission expenses, taxes and surcharges, statutory insurance fund contributions, insurance supervision fees, and commissions paid to employees working as sales representatives.

The Group calculates the expected future net cash outflows over the entire coverage and settlement period to measure the unearned premium reserves.



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (24) Insurance contract liabilities (continued)

##### Claim reserves

Claim reserves refer to the provision for incurred events of property and casualty, accident and short-term life and health insurance contracts insured by the Group as primary insurer or reinsurer, including case reserves, incurred but not reported (“IBNR”) reserves and loss adjustment expense reserves.

Case reserves represent the reserves for incurred insurance accidents, which have been reported to the Group but not yet settled. As primary insurer, the Group adopts case-by-case loss estimating method and average cost per claim method to measure case reserves, based on the reasonable estimate of the ultimate settlement amount, with consideration of risk margin. In regard to reinsurance contracts, the Group measures case reserves based on the information provided by cedants.

IBNR reserves represent the reserves for incurred insurance events that have not been reported to the Group or with inadequate case reserves. Based on the nature and distribution of insurance risk, the pattern of historical claim development, and the latest available claim data, the Group adopts commonly accepted actuarial reserving methods such as the chain ladder methods, average cost per claim method, frequency-severity method, Bornhuetter-Ferguson method and expected loss ratio method to measure IBNR reserves, with consideration of the time value of money and risk margin.

Loss adjustment expense reserves represent reserves for claims related expenses such as settlement fees, legal cost, claim-surveying cost and claim handling staff's salary, on insurance accidents. The Group mainly uses the ratio allocation method to measure loss adjustment expense reserves.

##### Long-term life and health insurance contract reserves

The Group measures long-term life and health insurance contract reserves on the basis of the best estimates of future payments that will be required to fulfil the contractual obligations. These payments refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of: (i) the guaranteed benefits based on contractual terms, including death claims, disability claims, medical benefits, survival benefits, maturity benefits, etc.; (ii) the non-guaranteed benefits, including policyholder dividends, etc.; and (iii) expenses incurred to manage insurance contracts or to process claims, including loss adjustment expenses, etc. The expected future cash inflows include cash inflows arising from the undertaking of insurance obligations, including premium and other fees.

Margin comprising risk margin and residual margin has been taken into consideration while computing the reserve of life and health insurance contracts. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. Residual margin is the margin for not recognising day-one gain and will be amortised over the life of the contracts. The subsequent measurement of residual margin is independent of the reserve related to best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (24) Insurance contract liabilities (continued)

##### Long-term life and health insurance contract reserves (continued)

The Group determines the assumptions for measuring the unexpired liability reserves on the basis of latest information obtained on the balance sheet date.

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of market interest with equivalent duration and equivalent risk to liability cash outflows. For the insurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, the Group determines the discount rate for computing the unexpired liability reserves on the basis of expected future investment returns rate of the corresponding investment portfolios.

Based on the historical experience and trend of future development, the Group determines the reasonable estimates as the assumptions, such as mortality rate, morbidity rate, lapse rate and expenses. For future expense which is sensitive to inflation, the Group considers the factors of inflation and the effects of the Group's expense controls to determine the expenses assumptions.

For insurance contracts with renewal rights, if the policyholder is likely to execute the renewal right without adjusting the premium rates, the Group takes the whole insurance period as the expected future net cash outflow period while measuring the reserves.

##### Liability adequacy test

The Group performs liability adequacy tests for unearned premium reserves and reserves for long-term life and health insurance on the balance sheet date. If the result of adequacy test exceeds the carrying amount of the reserves, the carrying amounts of the reserves shall be increased to the adequacy test result. For insurance policies acquired from business combination, the VOBA should be written off first and the deficiencies in excess of VOBA should be treated as additional reserves. And if the related reserve is adequate, no adjustment is made.

#### (25) Reinsurance

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded insurance/reinsurance contracts are presented separately from the assets, liabilities, income and expenses arising from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

#### (26) Notes payable

Notes payable are initially recognised at fair value, net of transaction costs incurred. Notes payable are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the notes using the effective interest method.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (27) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

##### (a) Gross written premiums

Gross written premiums in respect of primary property and casualty insurance contracts are recognised as revenue when the amount is determined, which is generally when the risk commences.

Gross written premiums in respect of reinsurance contracts reflect business written during the reporting period. Premiums written include an estimate for written premiums receivable of the current period and adjustments to estimates of premiums written in previous years at period end.

##### (b) Fee income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

##### (c) Investment income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

##### (d) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (28) Employee benefits

##### (a) Short term employee benefits and defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

##### (b) Defined benefit retirement plan obligation

The Group's defined benefit retirement plan is a pension plan for its retired staff in addition to the overall social insurance scheme, including retirement allowances and medical expenses. The contributions to the pension plan in addition to the overall social insurance scheme are made by the Group after taking the approved defined policy into account.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit retirement plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discounts obligations under the defined benefit retirement plans to determine the present value of the defined benefit liability.

Service cost and interest expense on the defined benefit liability are charged to profit or loss and remeasurements of the defined benefit liability are recognised in other comprehensive income.

#### (29) Operating leases

##### (a) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

##### (b) Assets leased out under operating leases

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 2(18). Impairment losses are recognised in accordance with the accounting policies described in Note 2(21)(b). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (30) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (30) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### (31) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (32) Dividends

When the final cash dividends proposed by the directors have been approved by the shareholders and declared, they are recognised as a liability.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (33) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group;
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (34) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

##### (a) Classification and significant risk testing of contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing insurance risk significance tests. The result of such judgement affects the classification of insurance contracts. Different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

##### (b) Measurement unit for insurance contracts

The Group shall make judgements on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement unit would affect the measurement results of insurance contract liabilities.

##### (c) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires management judgement. When making such judgement, the Group considers the length of the period over which the fair value is lower than cost and the magnitude of the decline in fair value.

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

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, but one or more of the following indicators are present:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

An investee as accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset. The reasons for existence of significant influence over some investees, even though the voting power held by the Group is less than 20%, are disclosed in Note 31 to the financial statements.



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are detailed below, which will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

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

The Group implements insurance risk significance test at the first recognised day of a contract, and makes necessary review at the end of the reporting period.

The Group determines insurance and reinsurance contracts as insurance contracts directly if they are reasonably self-evidenced; for other contracts, the Group uses the proportion of insurance risk to measure the significant level of risk transferring. The Group determines whether the insurance and reinsurance contracts transfer significant risk using the following methods and standards:

##### (i) *Property and casualty reinsurance contracts*

The Group considers reinsurance policies with expected reinsurer deficit (“ERD”) larger than 1% as reinsurance contracts, according to “Guidelines for Implementation of Insurance Risk Significance Test” issued by the CIRC. When calculating ERD of reinsurance policies, the Group selects appropriate loss distribution, based on its own historical claim experience and stochastic simulation method.

##### (ii) *Life and health reinsurance contracts*

When signing a reinsurance contract (or a facultative policy), the Group determines whether it transfers significant insurance risk based on qualitative assessment or quantitative analysis. In the case that a contract transfers significant insurance risk, it will be determined as a reinsurance contract; otherwise it will be determined as non-reinsurance contract. The Group performs examination on such test at the end of the reporting period.

When the Group performs risk significance test, for life and health reinsurance business, it considers whether the reinsurance contracts are reasonably self-evidenced. Contracts that are reasonably self-evident are determined as reinsurance contracts. Such conditions include: i) the business having apparent characteristics of transferring insurance risks, namely the ceding company transfers the primary insurance risk of primary insurance business to reinsurer; and ii) no apparent loss participation clauses such as loss compensation, loss distribution pro rata, etc. in place. Businesses that are considered reasonably self-evident need to be reviewed every year to ensure the reasonableness of these conditions. The Group uses scenario testing methods for risk significance test for those contracts not reasonably self-evidenced.

##### (iii) *Primary property and casualty insurance contracts*

A primary insurance policy is identified as an insurance contract if its ratio of insurance risk transferred is larger than 5%; otherwise it should be treated as a non-insurance contract.

As property and casualty policies usually satisfy the above risk significance test, the Group determines that most of the property and casualty policies can be treated as insurance contracts directly.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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

##### (b) Insurance contract liabilities

###### (i) *Property and casualty reinsurance contract reserves*

- Risk margin

According to the “Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises” (NO. 6 [2010]), issued by the CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

When measuring reserves for property and casualty reinsurance contracts, the risk margin has been calculated using the 75% percentile approach and the cost of capital approach, with reference to industry benchmarks.

- Discount rate

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Level of impact depends on the “duration” of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves. The Group determines the assumption of discount rate according to the “Yield Curve of Insurance Contract Reserves” published by chinabond.com.cn, without considering liquidity risk premium, tax effect, credit risk premium and so on. The assumption of discount rates for the Group’s property and casualty reinsurance business used as at 31 December 2017 is 2.7%–3.2% (31 December 2016: 2.9%–3.2%).

###### (ii) *Life and health reinsurance contract reserves*

Life and health reinsurance contract reserves are determined by the reasonable estimation of future benefit, expense, premium as well as the risk margin. Assumptions adopted when making reasonable estimations such as mortality rate, morbidity rate, lapse rate, discount rate and loss adjustment expenses are determined by the Group’s historical experience and reasonable future expectation. The risk margin reflects the uncertainty of insurance liability brought by the cash flows uncertainty of future benefit, expense and premium.

- Discount rate

For contracts wherein profit in the future is not impacted by the corresponding asset portfolio investment return, the Group uses the “Yield Curve of Insurance Contract Reserves” published by chinabond.com.cn and also considers the liquidity risk, taxation premium and counter-cyclical factors when determining the time value of money.

The discount rates including the liquidity risk premium used as at 31 December 2017 are 3.2%–6.1% (31 December 2016: 3.3%–5.4%).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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

##### (b) Insurance contract liabilities (continued)

###### (ii) Life and health reinsurance contract reserves (continued)

- **Discount rate (continued)**  
For contracts wherein profit in the future is impacted by the corresponding investment return, the Group uses the assumption of investment return of its asset portfolio as the discount rate to determine the time value of money. The assumption of investment return is determined by the Group's expectation on the investment return in the future and is applied on the estimation of the cash flow and risk margin.
- **The probability of insurance event**  
The Group determines the probability of insurance event according to historical experience and the expectation in the future. For mortality data, the Group uses "China Life Insurance Mortality Table" issued by the CIRC in addition to its historical experience. For other assumptions, the Group would mainly refer to its historical experience, the pricing assumption or the industry benchmarks.
- **Expense and other assumption**  
The Group determines the expense assumption according to its historical experience and the future expectation. The Group would also consider inflation metrics to determine the expense assumption if the assumption is sensitive to inflationary pressures.

The lapse rate and other assumptions for reserving are determined using the Group's reliable historical experience, current situations and future expectations.

###### (iii) Primary property and casualty insurance contract reserves

- **Risk margin**  
According to the "Notice for insurance companies on the implementation of Interpretation No. 2 to Accounting Standards for Business Enterprises" (NO. 6 [2010]), issued by the CIRC, the ratio of final risk margin applied to the unbiased estimate of the present value of future cash flows should generally fall between 2.5% to 15%.

The risk margin has been calculated using the 75% percentile approach by the Group, with reference to industry benchmarks.

- **Discount rate**  
The Group adopts the "Yield Curve of Insurance Contract Reserves" issued by chinabond.com.cn when determining the time value of money, without considering liquidity risk premium, tax effect, credit risk premium and so on. The assumption of discount rates for the Group's property and casualty insurance business used as at 31 December 2017 is 2.6%–2.9% (31 December 2016: 2.7%–2.9%).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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

##### (c) Fair value of financial instruments

The Group invests primarily in debt investments, equity investments, time deposits, financial assets held under resale agreements and so on. The Group's significant accounting estimates and judgements regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value. In assessing the impairment, the Group has considered various factors (see Note 2(21)(a)). The fair values of quoted investments are based on current bid prices. The fair value is the price at which two knowing parties transact willingly in a fair trade rather than under on compulsion or in liquidation.

The Group estimates the fair value of financial instruments using the following methods and assumptions:

- Debt investments: usually, fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques.
- Equity investments: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.
- Derivatives: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the derivatives whose fair value cannot be measured reliably, they can be determined by using valuation techniques.
- Time deposits, investments classified as loans and receivables, financial assets held under resale agreements and securities sold under agreements to repurchase: the book value on the consolidated statements of financial position approximates to fair value.

##### (d) Reinsurance premium

For reinsurance contracts, the Group estimates the ultimate premium collected by cedants during the reporting period, and calculates the Group's share of the premiums according to the reinsurance contract terms. The estimation is based on the information provided by the cedant, as well as the historical premium development pattern.

##### (e) Impairment of goodwill

The Group performs goodwill impairment test annually. The recoverable amount of an asset group or a set of asset groups including goodwill is the higher of its fair value less costs to disposal and its value-in-use, and the principal assumptions used are set out in Note 36 to the financial statements.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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

##### (f) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits as well as the applicable tax rates.

There are some uncertainties on the estimation of future taxable profit as it involves a number of estimations for future transactions, including whether the actuarial assumptions and experience are consistent, the performance of future investment market, as well as the impacts of any changes in corporate tax law.

##### (g) Retirement benefit liabilities

The Group measured certain employee retirement benefits using projected unit credit method, when these benefit plans met the definition of defined benefit plans as set out in IAS 19. Carrying value of these liabilities and the principal assumptions used in measuring these liabilities are set out in Note 45 to the financial statements.

##### (h) Impairment of held-to-maturity investments, investments classified as loans and receivables, reinsurance debtors and other receivables

When there is objective evidence that there is impairment in above investments and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the statement of profit or loss if the present value of expected future cash flows is less than the carrying amount of these assets. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, the Group also collectively assesses impairment for receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

##### (i) Impairment of non-current assets other than financial assets

The Group makes judgement on whether there is an indication that non-current assets other than financial assets may be impaired as at the end of the reporting period. When any such indication exists, the Group performs impairment testing for the asset or a group of assets and makes estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Group determines the recoverable amount according to the higher of the fair value less costs of disposal and the present value of expected future cash flows. Fair value less costs of disposals is determined with reference to the prices in sales agreements or observable market prices of similar assets in fair transactions. When using the present value of estimated future cash flows, management must use the estimated future cash flows of the asset or a group of assets, and select the appropriate discount rate to determine the present value of the future cash flows.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION

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

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

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

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

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

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

	2017						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	25,238,734	44,311,293	37,268,417	—	—	(1,481,976)	105,336,468
Less: Premiums ceded to reinsurers and retrocessionaires	(781,026)	(2,225,466)	(2,876,050)	—	—	1,481,213	(4,401,329)
Net written premiums	24,457,708	42,085,827	34,392,367	—	—	(763)	100,935,139
Changes in unearned premium reserves	29,967	(546,921)	(2,134,355)	—	—	(528)	(2,651,837)
Net premiums earned	24,487,675	41,538,906	32,258,012	—	—	(1,291)	98,283,302
Reinsurance commission income	97,912	469,218	1,006,453	—	—	(620,289)	953,294
Investment income	2,100,937	3,417,909	1,757,983	353,436	3,060,686	(1,430,797)	9,260,154
Exchange gains/(losses), net	196,641	(141,396)	(91,030)	(37,010)	(65,465)	(17,636)	(155,896)
Other income	53,217	717,248	170,583	488,961	343,501	(443,463)	1,330,047
<b>Total income</b>	<b>26,936,382</b>	<b>46,001,885</b>	<b>35,102,001</b>	<b>805,387</b>	<b>3,338,722</b>	<b>(2,513,476)</b>	<b>109,670,901</b>
— External income	25,511,971	46,001,817	35,887,244	459,883	1,809,986	—	109,670,901
— Inter-segment income	1,424,411	68	(785,243)	345,504	1,528,736	(2,513,476)	—
Claims and policyholders' benefits	(15,033,380)	(41,933,232)	(18,012,189)	—	—	6,824	(74,971,977)
— Claims incurred	(15,033,380)	(4,060,175)	(18,012,189)	—	—	6,824	(37,098,920)
— Life and health reinsurance death and other benefits paid	—	(28,307,952)	—	—	—	—	(28,307,952)
— Changes in long-term life and health reinsurance contract liabilities	—	(9,565,105)	—	—	—	—	(9,565,105)
Handling charges and commissions	(9,819,559)	(1,647,140)	(5,810,135)	—	—	623,073	(16,653,761)
Finance costs	(39,628)	(89,641)	(19,862)	(240,518)	(40,268)	—	(429,917)
Other operating and administrative expenses	(606,481)	(864,175)	(9,689,256)	(415,150)	(1,162,740)	442,810	(12,294,992)
<b>Total benefits, claims and expenses</b>	<b>(25,499,048)</b>	<b>(44,534,188)</b>	<b>(33,531,442)</b>	<b>(655,668)</b>	<b>(1,203,008)</b>	<b>1,072,707</b>	<b>(104,350,647)</b>
Share of profits of associates	56,508	922,802	15,045	(3,884)	674,559	(34,216)	1,630,814
<b>Profit before tax</b>	<b>1,493,842</b>	<b>2,390,499</b>	<b>1,585,604</b>	<b>145,835</b>	<b>2,810,273</b>	<b>(1,474,985)</b>	<b>6,951,068</b>
Income tax	(197,370)	(492,324)	(415,704)	(38,895)	(470,740)	—	(1,615,033)
<b>Profit for the year</b>	<b>1,296,472</b>	<b>1,898,175</b>	<b>1,169,900</b>	<b>106,940</b>	<b>2,339,533</b>	<b>(1,474,985)</b>	<b>5,336,035</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

	2016						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Gross written premiums	24,457,019	31,366,144	32,071,091	—	—	(1,217,027)	86,677,227
Less: Premiums ceded to reinsurers and retrocessionaires	(557,819)	(1,806,476)	(2,391,332)	—	—	1,218,873	(3,536,754)
Net written premiums	23,899,200	29,559,668	29,679,759	—	—	1,846	83,140,473
Changes in unearned premium reserves	1,744,165	(762,390)	(1,417,112)	—	—	(85,211)	(520,548)
Net premiums earned	25,643,365	28,797,278	28,262,647	—	—	(83,365)	82,619,925
Reinsurance commission income	82,453	412,174	679,514	—	—	(369,795)	804,346
Investment income	2,080,760	3,354,892	1,329,598	54,391	3,351,126	(2,431,927)	7,738,840
Exchange (losses)/gains, net	(119,708)	148,685	101,674	1,157	299,709	(45,173)	386,344
Other income	11,063	310,503	128,501	320,081	291,415	(246,574)	814,989
<b>Total income</b>	<b>27,697,933</b>	<b>33,023,532</b>	<b>30,501,934</b>	<b>375,629</b>	<b>3,942,250</b>	<b>(3,176,834)</b>	<b>92,364,444</b>
— External income	26,480,419	33,023,476	31,224,849	141,504	1,494,196	—	92,364,444
— Inter-segment income	1,217,514	56	(722,915)	234,125	2,448,054	(3,176,834)	—
Claims and policyholders' benefits	(15,897,068)	(30,518,984)	(14,822,406)	—	—	(9,209)	(61,247,667)
— Claims incurred	(15,897,068)	(2,785,633)	(14,822,406)	—	—	(9,209)	(33,514,316)
— Life and health reinsurance death and other benefits paid	—	(42,859,432)	—	—	—	—	(42,859,432)
— Changes in long-term life and health reinsurance contract liabilities	—	15,126,081	—	—	—	—	15,126,081
Handling charges and commissions	(9,327,079)	(766,033)	(4,114,385)	—	—	372,574	(13,834,923)
Finance costs	(1,733)	(98,768)	(5,895)	(51)	(30,450)	—	(136,897)
Other operating and administrative expenses	(407,432)	(800,950)	(9,995,700)	(312,245)	(917,915)	245,311	(12,188,931)
<b>Total benefits, claims and expenses</b>	<b>(25,633,312)</b>	<b>(32,184,735)</b>	<b>(28,938,386)</b>	<b>(312,296)</b>	<b>(948,365)</b>	<b>608,676</b>	<b>(87,408,418)</b>
Share of profits of associates	9,649	791,189	5,735	—	657,441	(17,868)	1,446,146
Profit before tax	2,074,270	1,629,986	1,569,283	63,333	3,651,326	(2,586,026)	6,402,172
Income tax	(224,749)	(256,048)	(325,668)	(5,988)	(377,874)	21,347	(1,168,980)
<b>Profit for the year</b>	<b>1,849,521</b>	<b>1,373,938</b>	<b>1,243,615</b>	<b>57,345</b>	<b>3,273,452</b>	<b>(2,564,679)</b>	<b>5,233,192</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 SEGMENT INFORMATION (continued)

	2017						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	63,522,453	100,630,265	45,036,271	12,135,547	54,373,404	(32,897,815)	242,800,125
Segment liabilities	(44,361,469)	(78,013,811)	(30,812,046)	(10,402,453)	(7,065,315)	3,225,468	(167,429,626)
<b>Other segment information</b>							
Capital expenditures	(14,208)	(9,758)	(389,398)	(10,594)	(27,315)	—	(451,273)
Depreciation and amortisation	(3,659)	(17,049)	(219,086)	(10,655)	(59,225)	—	(309,674)
Interest income	1,342,859	2,380,011	1,100,597	58,522	984,834	(2,145)	5,864,678
Available-for-sale financial assets impairment loss charges	(156,384)	(315,478)	(12,171)	(756)	(115,837)	—	(600,626)
Other impairment loss charges	(9,508)	—	(38,071)	—	6,316	—	(41,263)
	2016						
	Property and casualty reinsurance	Life and health reinsurance	Primary property and casualty insurance	Asset management	Others	Elimination	Total
Segment assets	63,290,307	82,082,234	41,005,564	1,965,460	54,807,870	(31,944,064)	211,207,371
Segment liabilities	(42,281,727)	(64,777,641)	(27,463,862)	(340,702)	(6,367,700)	2,164,114	(139,067,518)
<b>Other segment information</b>							
Capital expenditures	(5,998)	(5,449)	(261,419)	(15,214)	(9,659)	—	(297,739)
Depreciation and amortisation	(15,605)	(35,949)	(207,777)	(8,736)	(89,289)	—	(357,356)
Interest income	1,392,533	2,394,435	1,010,056	19,576	886,976	—	5,703,576
Available-for-sale financial assets impairment loss charges	(258,203)	(258,486)	(44,235)	(508)	(235,674)	—	(797,106)
Other impairment loss reversals	(6,729)	—	150,058	(635)	(17,766)	—	124,928

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5 GROSS AND NET WRITTEN PREMIUMS

#### (a) Gross written premiums

	2017	2016
Long-term life and health reinsurance	36,629,526	24,859,969
Short-term life and health reinsurance	7,681,767	6,506,175
Property and casualty reinsurance	23,760,397	23,328,877
Primary property and casualty insurance	37,264,778	31,982,206
<b>Total</b>	<b>105,336,468</b>	<b>86,677,227</b>

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

	2017	2016
Long-term life and health reinsurance	404,704	507,948
Short-term life and health reinsurance	1,820,761	1,298,528
Property and casualty reinsurance	792,121	553,450
Primary property and casualty insurance	1,383,743	1,176,828
<b>Total</b>	<b>4,401,329</b>	<b>3,536,754</b>

#### (c) Net written premiums

	2017	2016
Net written premiums	100,935,139	83,140,473

### 6 CHANGES IN UNEARNED PREMIUM RESERVES

	2017	2016
Short-term life and health reinsurance	546,921	762,390
Property and casualty reinsurance	57,455	(1,515,914)
Primary property and casualty insurance	2,047,461	1,274,072
<b>Total</b>	<b>2,651,837</b>	<b>520,548</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 7 INVESTMENT INCOME

	2017	2016
Interest, dividend and rental income (a)	6,629,229	7,032,940
Realised gains (b)	2,131,838	579,106
Unrealised gains (c)	268,184	110,867
Negative goodwill arising from investments in associates	831,529	813,033
Impairment losses (d)	(600,626)	(797,106)
<b>Total</b>	<b>9,260,154</b>	<b>7,738,840</b>

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

	2017	2016
Interest income		
Current and time deposits	1,076,983	2,068,830
Fixed maturity investment		
— Held-to-maturity investment	1,100,071	998,546
— Available-for-sale financial assets	1,713,553	1,219,348
— Financial assets at fair value through profit or loss	85,943	26,584
— Investments classified as loans and receivables	1,830,684	1,342,139
Financial assets held under resale agreements	49,529	42,210
Reinsurers' share of policy loans	7,915	5,919
<b>Subtotal</b>	<b>5,864,678</b>	<b>5,703,576</b>
Dividend income		
Equity securities		
— Available-for-sale financial assets	569,613	1,141,479
— Financial assets at fair value through profit or loss	141,522	144,396
Others		
— Available-for-sale financial assets	31,160	—
<b>Subtotal</b>	<b>742,295</b>	<b>1,285,875</b>
Rental income from investment properties	22,256	43,489
<b>Total</b>	<b>6,629,229</b>	<b>7,032,940</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 7 INVESTMENT INCOME (continued)

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

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

	2017	2016
Dividend income		
Listed equity securities	139,203	382,422
Unlisted equity securities	603,092	903,453
<b>Total</b>	<b>742,295</b>	<b>1,285,875</b>

#### (b) Realised gains

	2017	2016
Fixed maturity investment		
— Available-for-sale financial assets	(40,129)	188,000
— Financial assets at fair value through profit or loss	(30,883)	2,603
Equity securities		
— Available-for-sale financial assets	1,486,400	559,842
— Financial assets at fair value through profit or loss	325,357	(83,394)
— Investments in associates	(340,490)	(87,945)
— Disposal of Investment properties	731,583	—
<b>Total</b>	<b>2,131,838</b>	<b>579,106</b>

#### (c) Unrealised gains

	2017	2016
Fixed maturity investment		
— Financial assets at fair value through profit or loss	24,036	(15,019)
Equity securities		
— Financial assets at fair value through profit or loss	244,148	125,886
<b>Total</b>	<b>268,184</b>	<b>110,867</b>

#### (d) Impairment losses

	2017	2016
Equity securities		
— Available-for-sale financial assets	(600,626)	(797,106)
<b>Total</b>	<b>(600,626)</b>	<b>(797,106)</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 OTHER INCOME

	2017	2016
Fee income from investment contracts and insurance related business	996,071	559,407
Commission income arising from the tax collection of motor vehicles and vessels	119,472	102,754
Management fee income	138,334	94,448
Income from the disposals of property and equipment, and intangible assets	1,360	15,229
Guarantee fee income	7,038	5,647
Others	67,772	37,504
<b>Total</b>	<b>1,330,047</b>	<b>814,989</b>

### 9 CLAIMS AND POLICYHOLDERS' BENEFITS

	2017		
	Gross	Ceded	Net
Claims incurred	39,737,570	(2,638,650)	37,098,920
— Short-term life and health reinsurance	5,468,538	(1,408,363)	4,060,175
— Property and casualty reinsurance	15,017,028	(505,790)	14,511,238
— Primary property and casualty insurance	19,252,004	(724,497)	18,527,507
Life and health reinsurance death and other benefits paid	29,275,823	(967,871)	28,307,952
Changes in long-term life and health reinsurance contract liabilities	9,073,900	491,205	9,565,105
<b>Total</b>	<b>78,087,293</b>	<b>(3,115,316)</b>	<b>74,971,977</b>
	2016		
	Gross	Ceded	Net
Claims incurred	35,088,562	(1,574,246)	33,514,316
— Short-term life and health reinsurance	3,885,207	(1,099,574)	2,785,633
— Property and casualty reinsurance	15,874,010	(133,747)	15,740,263
— Primary property and casualty insurance	15,329,345	(340,925)	14,988,420
Life and health reinsurance death and other benefits paid	45,251,464	(2,392,032)	42,859,432
Changes in long-term life and health reinsurance contract liabilities	(16,941,133)	1,815,052	(15,126,081)
<b>Total</b>	<b>63,398,893</b>	<b>(2,151,226)</b>	<b>61,247,667</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 10 HANDLING CHARGES AND COMMISSIONS

	2017	2016
Long-term life and health reinsurance	169,963	(1,041,971)
Short-term life and health reinsurance	1,476,473	1,808,004
Property and casualty reinsurance	9,221,868	8,986,335
Primary property and casualty insurance	5,785,457	4,082,555
<b>Total</b>	<b>16,653,761</b>	<b>13,834,923</b>

### 11 FINANCE COSTS

	2017	2016
Interest expenses		
Securities sold under agreements to repurchase	191,193	136,897
Notes payable	238,724	—
<b>Total</b>	<b>429,917</b>	<b>136,897</b>

### 12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2017	2016
Employee costs	3,749,028	4,138,115
Advertising and promotion expenses	2,250,677	2,382,849
Official and travel expenses	783,385	864,109
Interest expenses of policyholders' deposits and investment contracts	463,142	449,724
Rental expenses	411,607	375,249
Consulting fees	517,971	351,547
Depreciation and amortisation	243,720	289,692
Insurance guarantee fund	294,051	253,783
Taxes and surcharges	463,899	788,980
Regulatory fees	26,148	88,094
Impairment losses charges/(reversals)	41,263	(124,928)
Outsourcing costs	1,393,768	971,353
Others	1,656,333	1,360,364
<b>Total</b>	<b>12,294,992</b>	<b>12,188,931</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 PROFIT BEFORE TAX

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

	2017	2016
Employee costs (including directors' and supervisors' emoluments) (a) (note)	4,674,054	4,798,111
Depreciation of property and equipment (note)	239,460	229,955
Depreciation of investment properties (note)	10,903	71,616
Amortisation of intangible assets (note)	59,311	55,785
Rental expenses (note)	473,444	442,030
Auditors' remuneration	8,880	7,800
Impairment losses on available-for-sale financial assets	600,626	797,106
Impairment losses on premiums receivable	39,661	22,071
Impairment (reversal)/ losses on reinsurance debtors	(605)	22,813
Impairment losses/ (reversal) on other assets	2,207	(169,812)

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.

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

	2017	2016
Salaries, allowances and performance related bonuses	4,279,602	4,435,187
Contributions to defined contribution plan	390,202	358,815
Contributions to defined benefit retirement plan	4,250	4,109
<b>Total</b>	<b>4,674,054</b>	<b>4,798,111</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The total compensation package for these directors, and supervisors for the year ended 31 December 2017 has not yet been finalised in accordance with regulations of the relevant PRC authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's 2017 consolidated financial statements. The final compensation will be disclosed when determined.

	2017							
	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
<b>Executive directors</b>								
Mr. Yuan Linjiang	—	297	329	84	79	—	—	789
Mr. He Chunlei (i)(v)	—	222	247	70	69	—	—	608
Mr. Wang Pingsheng (iv)(v)	—	267	293	84	76	—	—	720
Mr. Ren Xiaobing	—	267	293	84	72	—	—	716
<b>Non-executive directors</b>								
Ms. Lu Xiuli	—	—	—	—	—	—	—	—
Mr. Shen Shuhai	—	—	—	—	—	—	—	—
<b>Independent non-executive directors</b>								
Ms. Wang Jun	250	—	—	—	—	—	—	250
Mr. Hao Yansu	250	—	—	—	—	—	—	250
Mr. Li Sanxi	250	—	—	—	—	—	—	250
Ms. Mok Kam Sheung	250	—	—	—	—	—	—	250
<b>Supervisors</b>								
Mr. Wang Yonggang (ii)(v)	—	74	82	20	21	—	—	197
Mr. Zhang Hong (iii)	—	297	329	84	78	—	—	788
Mr. Wei Shiping	—	—	—	—	—	—	—	—
Mr. Zhu Yong	—	—	—	—	—	—	—	—
Mr. Cao Shunming (vi)	—	—	—	—	—	18	24	42
Mr. Tian Bo (vi)	—	—	—	—	—	18	—	18
<b>Total</b>	<b>1,000</b>	<b>1,424</b>	<b>1,573</b>	<b>426</b>	<b>395</b>	<b>36</b>	<b>24</b>	<b>4,878</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

- (i) On 20 January 2017, Mr. He Chunlei was elected at the shareholders' general meeting of the Company as executive Director of the Board, with effect from his qualification as Director being approved by the CIRC on 28 February 2017.
- (ii) Mr. Wang Yonggang retired as supervisor on 23 February 2017.
- (iii) On 20 January 2017, the shareholders' general meeting of the Company approved Mr. Zhang Hong's ceasing to be executive Director of the Company; on 20 January 2017, Mr. Zhang Hong was elected at the shareholders' general meeting of the Company as Supervisor, with effect from his qualification as Supervisor being approved by the CIRC on 23 February 2017.
- (iv) Mr. Wang Pingsheng retired as executive director on 9 February 2018.
- (v) The remuneration for approved and retired directors and supervisors were the compensation during their appointment.
- (vi) For Employee Representative Supervisors of the Company, the amounts set forth above only included fees for their services as supervisors.

	2016							
	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director/supervisor	Emoluments paid or receivable in respect of director's other services in connection with the management of the company or its subsidiary undertaking	Total
<b>Executive directors</b>								
Mr. Yuan Linjiang (i)(v)	—	222	247	56	61	—	—	586
Mr. Li Peiyu (ii)(v)	—	75	—	13	15	—	—	103
Mr. Zhang Hong	—	297	329	78	84	—	—	788
Mr. Wang Pingsheng	—	267	293	78	82	—	—	720
Mr. Ren Xiaobing	—	267	293	78	78	—	—	716
<b>Non-executive directors</b>								
Ms. Lu Xiuli	—	—	—	—	—	—	—	—
Mr. Shen Shuhai	—	—	—	—	—	—	—	—
<b>Independent non-executive directors</b>								
Ms. Wang Jun	250	—	—	—	—	—	—	250
Mr. Hao Yansu	250	—	—	—	—	—	—	250
Mr. Li Sanxi	250	—	—	—	—	—	—	250
Ms. Mok Kam Sheung	250	—	—	—	—	—	—	250
<b>Supervisors</b>								
Mr. Wang Yonggang	—	297	329	78	82	—	—	786
Mr. Wei Shiping	—	—	—	—	—	—	—	—
Mr. Zhu Yong	—	—	—	—	—	—	—	—
Mr. Cao Shunming (vi)	—	—	—	—	—	18	24	42
Mr. Lin Wei (iii)(v)(vi)	—	—	—	—	—	6	8	14
Mr. Tian Bo (iv)(v)(vi)	—	—	—	—	—	8	—	8
<b>Total</b>	<b>1,000</b>	<b>1,425</b>	<b>1,491</b>	<b>381</b>	<b>402</b>	<b>32</b>	<b>32</b>	<b>4,763</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

- (i) Mr. Yuan Linjiang was appointed as executive director since 20 May 2016.
- (ii) Mr. Li Peiyu retired as executive director on 10 March 2016.
- (iii) Mr. Lin Wei retired as supervisor on 11 July 2016.
- (iv) Mr. Tian Bo was appointed as supervisor since 11 July 2016.
- (v) The remuneration for appointed and retired directors and supervisors were the compensation during their appointment.
- (vi) For Employee Representative Supervisors of the company, the amounts set forth above only included fees for their services as supervisors.

The compensation amounts disclosed above for these directors and supervisors for the year ended 31 December 2016 were restated based on the finalised amounts determined during 2017.

### 15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

	2017	2016
Salaries, allowances and benefits in kind	5,866	5,579
Discretionary bonuses	16,033	15,760
Employer's contribution to a retirement benefit scheme	356	526
Total	22,255	21,865

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

	2017	2016
RMB3,500,001 to RMB4,000,000	2	2
RMB4,000,001 to RMB4,500,000	1	2
RMB4,500,001 to RMB5,000,000	1	—
RMB5,000,001 to RMB5,500,000	—	—
RMB5,500,001 to RMB6,000,000	—	1
RMB6,000,001 to RMB6,500,000	1	—
Total	5	5

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 INCOME TAX

	2017	2016
Current income tax		
Charge for the year	1,854,387	1,388,331
Adjustments in respect of prior years	(6,603)	2,816
Deferred income tax	(232,751)	(222,167)
<b>Total</b>	<b>1,615,033</b>	<b>1,168,980</b>

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

	2017	2016
Profit before tax	6,951,068	6,402,172
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	1,737,767	1,600,543
The effect of different tax rates of other countries and regions (note)	20,587	3,440
Tax effect of non-deductible expenses	87,102	24,664
Tax effect of non-taxable income	(315,872)	(501,630)
Tax effect of unused tax losses not recognised	75,073	10,911
Adjustments in prior years	(6,603)	2,816
Withheld income tax on dividends received from associates	16,979	28,236
<b>Income tax</b>	<b>1,615,033</b>	<b>1,168,980</b>

Note: The income tax rate applied to the Company and its subsidiaries in Mainland China is 25% for the year ended 31 December 2017 (the year ended 31 December 2016: 25%). Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 DIVIDENDS

	2017	2016
In respect of previous year:		
2017 final dividend: RMB0.048 per ordinary share	2,039,031	
2016 final dividend: RMB0.046 per ordinary share		1,954,071

### 18 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:

	2017	2016
Net profit attributable to the equity shareholders of the parent	5,256,296	5,146,052
Weighted average number of ordinary shares (in thousands) (a)	42,479,808	42,479,808
Basic and diluted earnings per share (in RMB)	0.12	0.12

There were no potential diluted ordinary shares in issue during the year ended 31 December 2017 and the year ended 31 December 2016, so the diluted earnings per share were the same as the basic earnings per share.

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

	2017	2016
Weighted average number of ordinary shares at 31 December	42,479,808	42,479,808

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	2017	2016
<b>Items that may not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit liability	(12,919)	4,674
Sub-total	(12,919)	4,674
<b>Items that may be reclassified subsequently to profit or loss</b>		
Share of other comprehensive income of associates	(113,158)	(207,363)
Income tax	28,268	51,803
Sub-total	(84,890)	(155,560)
Gains /(loss) arising from changes in fair value of available-for-sale financial assets	1,114,066	(2,806,567)
Less: Reclassification adjustments for amounts transferred to profit or loss		
— Gains on disposal	(1,446,271)	(747,842)
— Impairment losses	600,626	797,106
Income tax	(69,497)	684,249
Sub-total	198,924	(2,073,054)
Exchange differences on translation of financial statements of overseas subsidiaries	(7,424)	(4,011)
<b>Total</b>	<b>93,691</b>	<b>(2,227,951)</b>
Attributable to:		
Equity shareholders of the Company	92,908	(2,196,502)
Non-controlling interests	783	(31,449)
<b>Total</b>	<b>93,691</b>	<b>(2,227,951)</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2017	31 December 2016
Cash at banks and on hand	7,918,056	14,268,691
Time deposits with original maturity of no more than three months	2,444,959	2,251,233
Other monetary deposits	390,844	313,501
<b>Total</b>	<b>10,753,859</b>	<b>16,833,425</b>

As at 31 December 2017, cash and short-term time deposits of RMB1,243,665 thousand (31 December 2016: RMB4,415,513 thousand) were restricted from use, which are mainly trading deposits and securities settlement deposits.

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

	31 December 2017	31 December 2016
<b>Listed</b>		
<b>Fixed maturity investment</b>		
Corporate bonds	208,256	2,561
<b>Equity securities</b>		
Investment funds	480,762	—
Stocks	401,263	856,867
<b>Sub-total</b>	<b>1,090,281</b>	<b>859,428</b>
<b>Unlisted</b>		
<b>Fixed maturity investment</b>		
Government bonds	19,232	19,412
Financial bonds	—	371,700
<b>Equity securities</b>		
Investment funds	2,447,836	2,944,079
Embedded derivative	191,919	37,691
Structured notes	3,457,345	—
<b>Sub-total</b>	<b>6,116,332</b>	<b>3,372,882</b>
<b>Total</b>	<b>7,206,613</b>	<b>4,232,310</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	31 December 2017	31 December 2016
Securities — bonds		
Stock exchange	721,402	4,051,301
Inter-bank market	1,837,000	201,000
<b>Total</b>	<b>2,558,402</b>	<b>4,252,301</b>

### 23 PREMIUMS RECEIVABLE

	31 December 2017	31 December 2016
Premiums receivable	4,496,935	2,216,899
Less: impairment provision	(129,477)	(89,816)
<b>Premiums receivable, net</b>	<b>4,367,458</b>	<b>2,127,083</b>

#### (a) Aging analysis

	31 December 2017	31 December 2016
Within 3 months (inclusive)	4,176,329	1,948,195
3 months to 1 year (inclusive)	202,395	181,119
1 to 2 years (inclusive)	67,314	39,491
Over 2 years	50,897	48,094
<b>Total</b>	<b>4,496,935</b>	<b>2,216,899</b>
Less: impairment provision	(129,477)	(89,816)
<b>Net</b>	<b>4,367,458</b>	<b>2,127,083</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 PREMIUMS RECEIVABLE (continued)

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

	31 December 2017	31 December 2016
At the beginning of the year	89,816	68,588
Charge for the period	39,661	22,071
Written off	—	(843)
At the end of the year	129,477	89,816

### 24 REINSURANCE DEBTORS

	31 December 2017	31 December 2016
Reinsurance debtors	23,139,750	21,132,605
Less: impairment provision	(118,685)	(123,345)
Reinsurance debtors, net	23,021,065	21,009,260

#### (a) Aging analysis

	31 December 2017	31 December 2016
Within 3 months (inclusive)	20,184,814	19,466,513
3 months to 1 year (inclusive)	2,508,508	1,460,254
1 to 2 years (inclusive)	305,500	40,709
Over 2 years	140,928	165,129
Total	23,139,750	21,132,605
Less: impairment provision	(118,685)	(123,345)
Reinsurance debtors, net	23,021,065	21,009,260



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 REINSURANCE DEBTORS (continued)

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

	31 December 2017	31 December 2016
At the beginning of the year	123,345	96,117
(Reversal)/charge for the year	(605)	22,813
Exchange difference	(4,055)	4,415
At the end of the year	118,685	123,345

### 25 TIME DEPOSITS

	31 December 2017	31 December 2016
Within 3 months (inclusive)	1,568,576	3,510,726
3 months to 1 year (inclusive)	3,372,132	8,494,340
1 to 2 years (inclusive)	5,000	1,500,000
4 to 5 years (inclusive)	294,039	—
Total	5,239,747	13,505,066

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2017	31 December 2016
<b>Listed</b>		
<b>Fixed maturity investment</b>		
Government bonds	524,773	—
Financial bonds	855,258	2,651
Corporate bonds	12,266,769	7,159,981
Subordinated bonds	499,700	504,611
<b>Equity securities</b>		
Investment funds	146,176	399,114
Stocks	17,071,319	11,919,562
<b>Sub-total</b>	<b>31,363,995</b>	<b>19,985,919</b>
<b>Unlisted</b>		
<b>Fixed maturity investment</b>		
Government bonds	698	704
Financial bonds	11,446,484	9,734,618
Corporate bonds	17,698,379	11,784,653
Subordinated bonds	773,770	804,194
Others	800,000	—
<b>Equity securities</b>		
Investment funds	9,467,613	11,182,331
Unlisted equity investment	5,862,154	1,375,922
Others	1,535,235	1,375,709
<b>Sub-total</b>	<b>47,584,333</b>	<b>36,258,131</b>
<b>Total</b>	<b>78,948,328</b>	<b>56,244,050</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 HELD-TO-MATURITY INVESTMENTS

	31 December 2017	31 December 2016
<b>Listed</b>		
Government bonds	100,967	13,437
Corporate bonds	8,411,532	4,573,231
Sub-total	8,512,499	4,586,668
<b>Unlisted</b>		
Government bonds	110,170	109,657
Financial bonds	1,339,656	1,190,167
Corporate bonds	8,933,972	5,360,361
Subordinated bonds	7,086,388	7,236,204
Sub-total	17,470,186	13,896,389
<b>Total</b>	<b>25,982,685</b>	<b>18,483,057</b>

### 28 INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2017	31 December 2016
Debt investment plans	25,275,117	22,013,884
Trust schemes	6,184,111	2,680,000
Subordinated debts	1,200,000	1,200,000
Others	212,166	—
<b>Total</b>	<b>32,871,394</b>	<b>25,893,884</b>

### 29 INVESTMENT CONTRACTS RECEIVABLE

	31 December 2016	Additions	Payments, surrenders, recaptures, others	31 December 2017
Investment contracts receivable	124,343	40,989,476	(40,262,281)	851,538

Investment contracts receivable represents receivable from cedants arising from reinsurance contracts which do not meet the definition of insurance contracts.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 SCOPE OF CONSOLIDATION

1) Particulars of the Company's primary subsidiaries as at 31 December 2017 are as follows:

Name	Place of Incorporation/ Registration	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities /Place of operation
			Direct	Indirect	
China Re P&C	Beijing	RMB11,482,250,000	100.00%	—	Property and casualty reinsurance, China
China Re Life	Beijing	RMB8,170,000,000	100.00%	—	Life and health reinsurance, China
China Continent Insurance	Shanghai	RMB10,429,984,100	93.18%	—	Primary property and casualty insurance, China
China Re AMC	Beijing	RMB1,500,000,000	70.00%	29.318%	Management of insurance funds, China
Huatai Insurance Agency and Consultant Service Limited ("Huatai Insurance Agency")	Beijing	RMB50,000,000	52.50%	—	Insurance brokerage, risk evaluation and management, China
China Re UK	London	GBP300,000	100.00%	—	Property and casualty reinsurance, UK
China Re Underwriting Agency Limited	London	GBP18,000,000	100.00%	—	Underwriting agency, UK
China Re Asset Management (Hong Kong) Company, Limited ("HKAMC")	Hong Kong	HKD100,000,000	—	99.318%	Investment management, Hong Kong
China Continent Insurance E-commerce Co. Ltd	Ningbo	RMB1,200,000,000	—	93.18%	E-commerce, China
China Continent Insurance Agent Co. Ltd	Shanghai	RMB50,000,000	—	93.18%	Insurance brokerage, China

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 SCOPE OF CONSOLIDATION (continued)

2) As at 31 December 2017, the Company consolidated the following special purpose entities:

Name	Paid-in capital	Attributable equity interest	Principal activities
China Reinsurance Alternative Equity Fund	RMB 1,324,564,291	100.00%	Investment in private equity
China Reinsurance Ruiqi Asset Management Product	RMB 2,686,432,125	81.03%	Investment in debt/Debt investment plan/Trust
China Reinsurance Ruiqi 2nd Asset Management Product	RMB 30,000,750	100.00%	Investment in debt
China Reinsurance Ruitong 1st Asset Management Product	RMB 237,506,459	34.03%	Investment in equity
Bairong World Trade Center Real Estate Debt Investment Scheme	RMB 8,500,000,000	90.69%	Investment in fixed maturity investments
Subway Sixteen Equity Investment Plan	RMB 7,000,000,000	65.00%	Investment in fixed maturity investments
Binghai Environmental Equity Investment Plan	RMB 900,000,000	93.50%	Investment in fixed maturity investments
Zhongye Zhiye Equity Investment Plan	RMB 1,000,000,000	60.00%	Investment in fixed maturity investments
Fangzheng Hangzhou Real Estate Debt Investment Plan	RMB 500,000,000	100.00%	Investment in fixed maturity investments
Huaxin Trust Haorui No. 36 Xining Trust Investment Plan	RMB 291,577,471	100.00%	Investment in fixed maturity investments
Huaxin Trust Haorui No. 36 Hongdao Trust Investment Plan	RMB 285,834,047	100.00%	Investment in fixed maturity investments
Huaxin Trust Haorui No. 36 Tongtian Trust Investment Plan	RMB 294,037,854	100.00%	Investment in fixed maturity investments
Huaxin Trust Haorui No. 36 Guangde Trust Investment Plan	RMB 313,061,639	100.00%	Investment in fixed maturity investments
China Reinsurance Finance Corporation Limited	HKD 60,000,000	100.00%	Bond Issue and Investment

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES

	31 December 2017	31 December 2016
Share of net assets		
— Listed shares	14,448,703	12,152,453
— Unlisted shares	427,746	298,473
<b>Total</b>	<b>14,876,449</b>	<b>12,450,926</b>

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

Name of associate	Place of incorporation and business	Registered capital (RMB million)	Principal activities	Proportion of ownership interest		
				Group's effective interest	Held by the Company	Held by a subsidiary
China Everbright Bank Company Limited ("CEB")	China	52,489	Commercial banking			
				4.42%	1.50%	2.92%
				4.91%	2.11%	2.80%

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

As at 31 December 2017, the market value of the Group's investment in CEB was RMB7,491 million (31 December 2016: RMB7,711 million).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES (continued)

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

The following table sets out the key financial statements of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and the differences in adopting accounting policies of the Group.

	CEB (in RMB millions)	
	2017	2016
<b>Gross amounts of the associate</b>		
Operating income	92,018	94,365
Profit before tax	40,646	40,180
Net profit (i)	31,545	30,329
Other comprehensive income (i)	(2,354)	(3,420)
Total comprehensive income (i)	29,191	26,909
Total assets	4,088,243	4,020,042
Total liabilities	3,782,807	3,768,974
Net assets (ii)	268,371	219,227
Non-controlling interests	676	613
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate (ii)	268,371	219,227
Group's effective interest	4.42%	4.91%
Group's share of net assets of the associate	11,871	10,765
Carrying amount in the financial statements	11,871	10,765
Dividends received from the associate for the year	226	438

(i) Amount attributable to shareholders of the associate.

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 INVESTMENTS IN ASSOCIATES (continued)

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

	2017	2016
Aggregate carrying amount of investments	3,005,615	1,685,872
Aggregate amount of share of:		
— Net profit	164,063	3,009
— Other comprehensive income	14,485	(152)
— Change in capital reserve	(1,112)	(277)
Total	177,436	2,580

### 32 STATUTORY DEPOSITS

In accordance with relevant provision of Insurance Law of the PRC, the Company, China Re P&C, China Re Life, China Continent Insurance and Huatai Insurance Agency should place certain portion of its issued capital as restricted statutory deposits, respectively.

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

	31 December 2017	31 December 2016
The Company	8,500,000	8,500,000
China Re P&C	2,300,000	2,300,000
China Re Life	1,650,000	1,750,000
China Continent Insurance	2,110,415	2,167,027
Huatai Insurance Agency	1,045	1,025
Total	14,561,460	14,718,052



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 INVESTMENT PROPERTIES

	Buildings	Construction In progress	Total
<b>Cost</b>			
Balance at 1 January 2016	3,432,697	—	3,432,697
Additions during the year	1,657	—	1,657
Transfers to Construction in progress	(2,787,043)	2,742,141	(44,902)
Balance at 31 December 2016	647,311	2,742,141	3,389,452
Additions during the year	—	6,168	6,168
Disposal	(647,311)	—	(647,311)
<b>Balance at 31 December 2017</b>	<b>—</b>	<b>2,748,309</b>	<b>2,748,309</b>
<b>Less: Accumulated depreciation</b>			
Balance at 1 January 2016	(240,930)	—	(240,930)
Charge for the year	(71,616)	—	(71,616)
Transfers to Construction in progress	44,902	—	44,902
Balance at 31 December 2016	(267,644)	—	(267,644)
Charge for the year	(10,903)	—	(10,903)
Disposal	278,547	—	278,547
<b>Balance at 31 December 2017</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Carrying amount</b>			
<b>Balance at 31 December 2017</b>	<b>—</b>	<b>2,748,309</b>	<b>2,748,309</b>
Balance at 31 December 2016	379,667	2,742,141	3,121,808

According to the asset valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the fair value of investment properties as at 31 December 2017 was RMB3,408 million (31 December 2016: RMB4,244 million).

As at 31 December 2017, the Group was in the process of completing the ownership documentation of certain investment properties with a net carrying value of RMB2,748 million (31 December 2016: RMB2,742 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned investment properties.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Office and electronic equipment	Construction in progress	Leasehold improvement	Total
<b>Cost</b>							
Balance at 1 January 2016	2,478,261	70,871	343,179	619,473	136,279	180,102	3,828,165
Additions during the year	—	5,855	37,529	76,517	51,287	57,337	228,525
Transfers upon completion	153,801	—	—	1,520	(155,321)	—	—
Disposals during the year	(6,208)	(3,842)	(52,479)	(25,028)	—	—	(87,557)
<b>Balance at 31 December 2016</b>	<b>2,625,854</b>	<b>72,884</b>	<b>328,229</b>	<b>672,482</b>	<b>32,245</b>	<b>237,439</b>	<b>3,969,133</b>
Additions during the year	—	7,133	38,488	85,234	141,377	57,458	329,690
Transfers upon completion	119,934	—	—	925	(120,859)	—	—
Disposals during the year	—	(3,166)	(40,835)	(47,307)	—	—	(91,308)
<b>Balance at 31 December 2017</b>	<b>2,745,788</b>	<b>76,851</b>	<b>325,882</b>	<b>711,334</b>	<b>52,763</b>	<b>294,897</b>	<b>4,207,515</b>
<b>Less: Accumulated depreciation</b>							
Balance at 1 January 2016	(489,418)	(50,753)	(219,810)	(408,487)	—	(100,491)	(1,268,959)
Charge for the year	(83,350)	(6,009)	(29,558)	(71,100)	—	(39,938)	(229,955)
Disposals	2,106	3,592	49,419	22,136	—	—	77,253
<b>Balance at 31 December 2016</b>	<b>(570,662)</b>	<b>(53,170)</b>	<b>(199,949)</b>	<b>(457,451)</b>	<b>—</b>	<b>(140,429)</b>	<b>(1,421,661)</b>
Charge for the year	(87,209)	(5,819)	(31,630)	(66,997)	—	(47,805)	(239,460)
Disposals	—	3,127	38,662	35,903	—	—	77,692
<b>Balance at 31 December 2017</b>	<b>(657,871)</b>	<b>(55,862)</b>	<b>(192,917)</b>	<b>(488,545)</b>	<b>—</b>	<b>(188,234)</b>	<b>(1,583,429)</b>
<b>Carrying amount</b>							
<b>Balance at 31 December 2017</b>	<b>2,087,917</b>	<b>20,989</b>	<b>132,965</b>	<b>222,789</b>	<b>52,763</b>	<b>106,663</b>	<b>2,624,086</b>
<b>Balance at 31 December 2016</b>	<b>2,055,192</b>	<b>19,714</b>	<b>128,280</b>	<b>215,031</b>	<b>32,245</b>	<b>97,010</b>	<b>2,547,472</b>

As at 31 December 2017, the Group was in the process of completing the ownership documentation of certain properties and buildings with a net carrying value of RMB263 million (31 December 2016: RMB205 million). The management are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned properties and buildings.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 INTANGIBLE ASSETS

	VOBA	Software	Total
<b>Cost</b>			
Balance at 1 January 2016	420,059	418,034	838,093
Additions during the year	—	67,557	67,557
Disposals during the year	—	(49)	(49)
Balance at 31 December 2016	420,059	485,542	905,601
Additions during the year	—	115,415	115,415
Disposals during the year	—	(45)	(45)
<b>Balance at 31 December 2017</b>	<b>420,059</b>	<b>600,912</b>	<b>1,020,971</b>
<b>Less: Accumulated amortisation</b>			
Balance at 1 January 2016	(323,737)	(178,184)	(501,921)
Charge for the year	(13,518)	(42,267)	(55,785)
Disposals during the year	—	3	3
Balance at 31 December 2016	(337,255)	(220,448)	(557,703)
Charge for the year	(10,640)	(48,671)	(59,311)
Disposals during the year	—	45	45
<b>Balance at 31 December 2017</b>	<b>(347,895)</b>	<b>(269,074)</b>	<b>(616,969)</b>
<b>Carrying amount</b>			
<b>Balance at 31 December 2017</b>	<b>72,164</b>	<b>331,838</b>	<b>404,002</b>
Balance at 31 December 2016	82,804	265,094	347,898

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 GOODWILL

	31 December 2017	31 December 2016
Cost		
— China Re P&C	650,529	650,529
— China Re Life	463,630	463,630
— China Continent Insurance	74,379	74,379
<b>Total</b>	<b>1,188,538</b>	<b>1,188,538</b>
Less: impairment provision	—	—
<b>Carrying amount</b>	<b>1,188,538</b>	<b>1,188,538</b>

For China Re P&C and China Continent Insurance, the Group uses discounted cash flow method to conduct goodwill impairment test. It is based on the Group's five years business plans, and cash flows beyond five years are extrapolated using a steady growth rate and terminal value. For China Re Life, the Group used embedded value and value of new business to conduct goodwill impairment test. Key assumptions used include:

	2017
Risk adjusted discount rate	10.5%
Investment yield	5%–6%
Sustainable growth rate	2%

The results of cash flow projections exceed the carried amount of each related cash-generating unit or group of units.

### 37 DEFERRED TAX ASSETS AND LIABILITIES

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

	31 December 2017	31 December 2016
Deferred tax assets	1,122,813	838,155
Deferred tax liabilities	(1,087,946)	(1,036,157)
<b>Net</b>	<b>34,867</b>	<b>(198,002)</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	2017			Balance at 31 December 2017
	Balance at 1 January 2017	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	
Available-for-sale financial assets	(46,120)	—	(69,497)	(115,617)
Financial assets at fair value				
through profit or loss	(14,778)	(45,635)	—	(60,413)
Impairment provisions	208,517	(40,840)	—	167,677
Premiums and reserves	654,402	700,549	—	1,354,951
Investment in associates	(1,055,351)	(393,952)	69,615	(1,379,688)
Payables to employees	186,740	(11,044)	—	175,696
Others	(131,412)	23,673	—	(107,739)
<b>Total</b>	<b>(198,002)</b>	<b>232,751</b>	<b>118</b>	<b>34,867</b>
	2016			Balance at 31 December 2016
	Balance at 1 January 2016	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	
Available-for-sale financial assets	(730,369)	—	684,249	(46,120)
Financial assets at fair value				
through profit or loss	7,699	(22,477)	—	(14,778)
Impairment provisions	116,286	92,231	—	208,517
Premiums and reserves	192,952	461,450	—	654,402
Investment in associates	(755,601)	(351,702)	51,952	(1,055,351)
Payables to employees	181,904	4,836	—	186,740
Others	(169,241)	37,829	—	(131,412)
<b>Total</b>	<b>(1,156,370)</b>	<b>222,167</b>	<b>736,201</b>	<b>(198,002)</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

The estimated schedule of recoverability of deferred tax assets and liabilities is shown as follows:

	31 December 2017	31 December 2016
To be recovered within 12 months (inclusive)	1,455,724	1,213,711
To be recovered after more than 12 months	(1,420,857)	(1,411,713)
<b>Total</b>	<b>34,867</b>	<b>(198,002)</b>

### 38 OTHER ASSETS

	31 December 2017	31 December 2016
Investment contract assets	598,808	—
Subscription prepayment for securities and securities clearance receivable	368,524	320,874
Interest receivables	2,794,715	2,493,734
Deposits retained by other parties	2,968,498	3,481,292
Handling charges prepaid	407,378	157,596
Claims prepaid	394,510	309,887
Deferred expenses	117,247	109,577
Tax prepaid	203,046	352,562
Others	340,968	825,957
<b>Total</b>	<b>8,193,694</b>	<b>8,051,479</b>
Less: impairment provision	(20,618)	(20,021)
<b>Net</b>	<b>8,173,076</b>	<b>8,031,458</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are mainly for the Group to hedge in the foreign exchange market. The Group actively manage foreign exchange risk through hedging with external counterparties and ensure that the net risk taken by the Group is within the acceptable risk level. Derivative financial instruments, except for those designated as effective hedging instruments are classified as held for trading purposes. Financial derivatives classified as held for trading purposes include derivatives used for trading purposes as well as used for risk management purposes but does not meet the hedging accounting applicable requirements.

The contract notional amount and fair value of derivative financial instruments is as follows. The contract notional amount of derivative financial instruments is only the basis of comparing fair value of assets or liabilities recognised in balance sheet. It does not reflect the future cash flow or present fair value, therefore can not reflect the risk faced by the Group. Hedging instruments are derivative financial instruments meeting the hedge accounting applicable requirements. Non-hedging instruments are those that do not meet the hedge accounting applicable requirements.

	31 December 2017		
	Nominal amount	Assets	Liabilities
<b>Hedging Instruments</b>			
Fair value hedge			
— Currency swap (a)	4,500,861	—	47,608
<b>Non-hedging instruments</b>			
— Embedded derivatives	—	191,919	—
<b>Total</b>	<b>4,500,861</b>	<b>191,919</b>	<b>47,608</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

#### (a) Derivatives designated as hedging instruments

##### Fair value hedge

Fair value hedge is adopted to hedge the risk that a financial instrument's fair value will fluctuate because of changes in market interest rates or foreign exchange rates by using interest rate swaps or foreign currency forward contracts.

Net profit/(loss) derived from fair value hedge is as follows:

	2017	2016
Hedging instruments	(56,377)	—
Hedged item	56,377	—
Ineffective portion	—	—

### 40 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2017	31 December 2016
Securities sold under agreements to repurchase		
— Stock exchange	6,560,098	2,238,788
— Inter-bank market	1,150,405	498,892
Total	7,710,503	2,737,680

As at 31 December 2017, the market value of RMB14,844 million bonds (31 December 2016: RMB10,335 million) are deposited in the collateral pool. Securities sold under agreements to repurchase are generally repurchased within 3 months from the date the securities are sold.



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 REINSURANCE PAYABLES

	31 December 2017	31 December 2016
Reinsurance payables	11,874,955	12,217,369

#### (a) Aging analysis

	31 December 2017	31 December 2016
Within 3 months (inclusive)	7,567,753	10,715,554
3 months to 1 year (inclusive)	3,746,285	1,202,534
1 to 2 years (inclusive)	349,963	113,649
Over 2 years	210,954	185,632
Total	11,874,955	12,217,369

### 42 INVESTMENT CONTRACT LIABILITIES

	2017
At the beginning of the year	11,530,102
Additions	40,989,476
Payments, surrenders, recaptures	(39,218,686)
Fees deducted	(791,505)
Interest credited	437,420
At the end of the year	12,946,807

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 INSURANCE CONTRACT LIABILITIES

	31 December 2017		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	46,133,081	(945,704)	45,187,377
Short-term life and health reinsurance contracts (b)			
— Claim reserves	4,368,031	(1,278,375)	3,089,656
— Unearned premium reserves	2,457,667	(283,032)	2,174,635
Property and casualty reinsurance contracts (c)			
— Claim reserves	24,342,648	(751,526)	23,591,122
— Unearned premium reserves	7,743,803	(266,555)	7,477,248
Primary property and casualty insurance contracts (d)			
— Claim reserves	8,402,478	(914,137)	7,488,341
— Unearned premium reserves	14,678,598	(441,472)	14,237,126
<b>Total insurance contract liabilities</b>	<b>108,126,306</b>	<b>(4,880,801)</b>	<b>103,245,505</b>
	31 December 2016		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health reinsurance contracts (a)	37,164,312	(1,436,909)	35,727,403
Short-term life and health reinsurance contracts (b)			
— Claim reserves	3,588,243	(1,335,778)	2,252,465
— Unearned premium reserves	1,832,387	(204,758)	1,627,629
Property and casualty reinsurance contracts (c)			
— Claim reserves	24,862,557	(422,278)	24,440,279
— Unearned premium reserves	7,793,411	(188,739)	7,604,672
Primary property and casualty insurance contracts (d)			
— Claim reserves	7,498,552	(917,490)	6,581,062
— Unearned premium reserves	12,441,132	(386,711)	12,054,421
<b>Total insurance contract liabilities</b>	<b>95,180,594</b>	<b>(4,892,663)</b>	<b>90,287,931</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 INSURANCE CONTRACT LIABILITIES (continued)

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

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	54,110,061	(3,251,961)	50,858,100
Additions	27,192,701	(1,806,476)	25,386,225
Payments	(10,830,505)	2,220,418	(8,610,087)
Surrenders	(34,420,959)	171,614	(34,249,345)
Others	1,113,014	1,229,496	2,342,510
At 31 December 2016	37,164,312	(1,436,909)	35,727,403
Additions	37,676,125	(419,350)	37,256,775
Payments	(5,375,574)	888,983	(4,486,591)
Surrenders	(23,900,249)	78,888	(23,821,361)
Others	568,467	(57,316)	511,151
At 31 December 2017	46,133,081	(945,704)	45,187,377

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

##### (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	3,261,587	(1,512,760)	1,748,827
Claims incurred	3,885,207	(1,099,574)	2,785,633
Claims paid	(3,558,551)	1,276,556	(2,281,995)
At 31 December 2016	3,588,243	(1,335,778)	2,252,465
Claims incurred	5,468,538	(1,408,363)	4,060,175
Claims paid	(4,688,750)	1,465,766	(3,222,984)
At 31 December 2017	4,368,031	(1,278,375)	3,089,656

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 INSURANCE CONTRACT LIABILITIES (continued)

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

##### (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	1,256,776	(390,840)	865,936
Premiums written	6,506,175	(1,298,528)	5,207,647
Premiums earned	(5,930,564)	1,484,610	(4,445,954)
At 31 December 2016	1,832,387	(204,758)	1,627,629
Premiums written	7,681,767	(1,820,761)	5,861,006
Premiums earned	(7,056,487)	1,742,487	(5,314,000)
At 31 December 2017	2,457,667	(283,032)	2,174,635

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

##### (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	23,943,406	(568,292)	23,375,114
Claims incurred	15,874,010	(133,747)	15,740,263
Claims paid	(14,954,859)	279,761	(14,675,098)
At 31 December 2016	24,862,557	(422,278)	24,440,279
Claims incurred	15,017,028	(505,790)	14,511,238
Claims paid	(15,536,937)	176,542	(15,360,395)
At 31 December 2017	24,342,648	(751,526)	23,591,122

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 INSURANCE CONTRACT LIABILITIES (continued)

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

##### (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	9,492,388	(185,133)	9,307,255
Premiums written	23,328,877	(553,450)	22,775,427
Premiums earned	(25,027,854)	549,844	(24,478,010)
At 31 December 2016	7,793,411	(188,739)	7,604,672
Premiums written	23,760,397	(792,121)	22,968,276
Premiums earned	(23,810,005)	714,305	(23,095,700)
At 31 December 2017	7,743,803	(266,555)	7,477,248

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

##### (i) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	9,806,683	(2,509,679)	7,297,004
Claims incurred	15,329,345	(340,925)	14,988,420
Claims paid	(17,637,476)	1,933,114	(15,704,362)
At 31 December 2016	7,498,552	(917,490)	6,581,062
Claims incurred	19,252,004	(724,497)	18,527,507
Claims paid	(18,348,078)	727,850	(17,620,228)
At 31 December 2017	8,402,478	(914,137)	7,488,341

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 INSURANCE CONTRACT LIABILITIES (continued)

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

##### (ii) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2016	10,819,477	(280,604)	10,538,873
Premiums written	31,982,206	(1,176,828)	30,805,378
Premiums earned	(30,360,551)	1,070,721	(29,289,830)
At 31 December 2016	12,441,132	(386,711)	12,054,421
Premiums written	37,264,778	(1,383,743)	35,881,035
Premiums earned	(35,027,312)	1,328,982	(33,698,330)
At 31 December 2017	14,678,598	(441,472)	14,237,126

### 44 NOTES PAYABLE

	31 December 2017	31 December 2016
Notes payable	9,679,806	—

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 OTHER LIABILITIES

	31 December 2017	31 December 2016
Claims payable	193,032	95,044
Premiums received in advance	2,060,987	1,853,191
Salaries and welfare payable	1,528,684	1,360,055
Defined benefit obligation (a)	136,433	124,203
Unallocated cash	443,102	463,592
Insurance guarantee fund payable	103,716	95,476
Property and equipment payables	232,239	287,301
Deposits from cedants	476,953	315,897
Securities clearance payable	882,810	4,245,452
Handling charges and commissions payable	628,306	575,467
Taxes payable	374,165	296,804
Payable to third party investors of consolidated structured entities	4,462,265	3,889,856
Investment contracts payable	951,880	150,724
Others	1,328,215	1,137,212
<b>Total</b>	<b>13,802,787</b>	<b>14,890,274</b>

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

The Company offers the following two defined benefit retirement plans as post-employment benefit to its retired and early retired staff:

- (i) pension benefits for retired staff and pension benefits for early retired staff after they actually retire; and
- (ii) medical allowances.

Such defined benefit retirement plans would cause actuarial risks to the Company, such as longevity risk and inflation risk. As these defined benefit retirement plans share the same risk and characteristic, information about these plans is aggregated and disclosed below:

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 OTHER LIABILITIES (continued)

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

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

	2017	2016
Opening balance	124,203	129,055
Cost of defined benefit retirement plans included in current profit or loss		
— Interest cost	4,250	4,109
Remeasurement effects recognised in other comprehensive income	12,919	(4,674)
Benefits paid by the plans	(4,939)	(4,287)
Closing balance	136,433	124,203

- 2) Actuarial assumption

Significant actuarial assumptions utilised by the Company when estimating the present value of the obligation of defined benefit retirement plan are as follows (presented in weighted average):

	2017	2016
Discount rate	4.25%	3.5%
Mortality rate	Note	Note
Expected average life	87	84
Annual growth rate of pension benefits	4%	4%
Annual growth rate of medical allowances	7%	7%

Note: The mortality rate used in 2017 is determined based on the China Life Insurance Mortality Table-CL5/CL6 (2010 – 2013) issued by the CIRC in 2016.

The mortality rate used in 2016 is determined based on the China Life Insurance Mortality Table-CL3/CL4 (2000 – 2003) issued by the CIRC in 2005.

### 46 SHARE CAPITAL

	31 December 2017	31 December 2016
Issued and fully paid ordinary shares of RMB1 each		
Domestic shares	35,800,391	35,800,391
H shares	6,679,417	6,679,417
Total	42,479,808	42,479,808



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 SHARE CAPITAL (continued)

The Company completed its initial public offering of overseas-listed foreign shares and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 October 2015. In this offering, the Company issued 6,072 million H shares in total (including over-allotment of 302 million H shares) with a nominal value of RMB1.00 per share each and an issuance price of HKD 2.70 per share. This public offering had raised a total amount of RMB13,443 million. As at 31 December 2017, a total of RMB7,002 million was recorded in share premiums after deducting the share capital of RMB6,072 million and the stock issuance fee.

Pursuant to the relevant PRC regulations “The interim regulation of the State Council on Transfers of State-owned Shares”(Guo Fa (2001) No. 22) and the related regulatory approvals, 607,219,700 domestic shares held by the state-owned shareholders were converted into H shares during the initial public offering of the Company.

### 47 RESERVES AND RETAINED PROFITS

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

(a) **Capital reserve**

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

(b) **Surplus reserve**

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company.

(c) **General risk reserve**

In accordance with the relevant regulations, the general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance business. The Group’s respective entities would need to make appropriations to such reserve based on their respective profit or year-end risk assets as determined based on applicable financial regulations in the PRC, in their annual financial statements. This reserve is not available for profit distribution or transfer to capital.

(d) **Agriculture catastrophic loss reserve**

According to the relevant regulations of the PRC, which became effective from 1 January 2014, China Re P&C and China Continent Insurance are required to make appropriations to a reserve when the agricultural insurance records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases writing agricultural insurance business.

(e) **Retained profits**

As at 31 December 2017, the consolidated retained profits attributable to equity shareholders of the Company included an appropriation of RMB2,334 million to surplus reserve made by subsidiaries (31 December 2016: RMB1,984 million).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 INTEREST HELD IN UNCONSOLIDATED STRUCTURED ENTITIES

#### (a) Interest held in structured entities managed by third-party institutions

The Group invests in some structured entities managed by third-party institutions. Such structured entities mainly include investment funds, asset management products, structured notes, equity investment plan, debt investment plan, and trust schemes. The Group does not consolidate these structured entities. The nature and purpose of these structured entities is to provide asset management service for investors. Third-party institutions raise funds via issuing investment products to investors.

As at 31 December, the carrying value of interest held by the Group in structured entities managed by third-party institutions through investments of the Group is listed below:

	31 December 2017		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	8,214,976	—	2,928,598
Structured notes	—	—	3,457,345
Debt investment plans	—	6,670,817	—
Trust schemes	—	4,599,600	—
Others	2,248,172	212,165	—
<b>Total</b>	<b>10,463,148</b>	<b>11,482,582</b>	<b>6,385,943</b>

	31 December 2016		
	Available-for-sale financial assets	Investments classified as loans and receivables	Financial assets at fair value through profit or loss
Investment funds	10,652,706	—	2,944,079
Debt investment plans	—	3,957,500	—
Trust schemes	—	1,700,000	—
Others	1,355,401	—	—
<b>Total</b>	<b>12,008,107</b>	<b>5,657,500</b>	<b>2,944,079</b>

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

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (b) Interest held in the unconsolidated structured entities funded by the Group

Unconsolidated structured entities funded by the Group mainly include the asset management products and third-party entrusted asset management business products issued by the Group. The nature and purpose of these structured entities is to generate asset management fees by providing management services for investors. The Group raise funds via issuing investment products to investors.

#### Products issued

As at 31 December 2017, the balances of asset management products funded by the Group but unconsolidated in the financial statements amounted to RMB3.242 billion (31 December 2016: RMB2.456 billion), among which RMB0.341 billion was held by the Group (31 December 2016: 0.34 billion).

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

As at 31 December 2017, the balances of the third-party entrusted asset management business products funded by the Group but unconsolidated in the financial statements amounted to RMB37.9 billion (31 December 2016: RMB55.4 billion).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017	2016
<b>Profit before tax</b>	<b>6,951,068</b>	<b>6,402,172</b>
Adjustments for:		
Investment income	(9,260,154)	(7,738,840)
Exchange gains, net	155,896	(386,344)
Finance costs	429,917	136,897
Share of profits of associates	(1,630,814)	(1,446,146)
Impairment provisions charges/(reversals)	41,263	(124,928)
Depreciation of property and equipment	239,460	229,955
Depreciation of investment property	10,903	71,616
Amortisation of intangible assets	48,671	42,267
Losses/(Gains) on disposal of property and equipment and intangible assets, net	1,442	(10,854)
Increase/(Decrease) in insurance contract liabilities	13,345,239	(17,509,784)
Increase/(Decrease) in investment contract liabilities and policyholders' deposits	1,799,740	(107,104,077)
Decrease in reinsurer's share of insurance contract liabilities	88,756	3,806,606
Increase in premiums receivable	(2,240,375)	(1,267,005)
(Increase)/Decrease in reinsurance debtors	(2,011,805)	2,282,947
(Increase)/Decrease in investment contracts receivable	(727,195)	109,219,043
(Decrease)/Increase in reinsurance payables	(342,414)	6,197,325
(Increase)/Decrease in other assets	(346,867)	4,146,442
Increase in other liabilities	1,568,397	1,939,208
<b>Cash generated from operations</b>	<b>8,121,128</b>	<b>(1,113,500)</b>

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

	2017	2016
Cash and short-term time deposits	10,753,859	16,833,425
Add: Financial assets held under resale agreements with original maturity of no more than three months	2,558,402	4,252,301
Less: Restricted cash at banks	(1,243,665)	(4,415,513)
<b>Cash and cash equivalents at end of the year</b>	<b>12,068,596</b>	<b>16,670,213</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

#### (c) Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt of current year.

Net Debt	2017
Cash and cash equivalents	12,068,596
Liquid investments (i)	7,206,613
Borrowing-repayable after 1 year	(9,679,806)
<b>Total</b>	<b>9,595,403</b>
Cash and liquid investment	19,275,209
Gross debt-fixed interest rates	(9,679,806)
<b>Total</b>	<b>9,595,403</b>

	Other assets		Liabilities from financing activities	Total
	Cash and cash equivalents	Liquid investments (i)	Borrowing- repayable after 1 year	
	<b>Balance as at 1 January 2017</b>	16,670,213	4,232,310	
Cash flows	(3,867,611)	2,706,119	(10,248,099)	(11,409,591)
Foreign exchange adjustments	(734,006)	—	579,787	(154,219)
Other non-cash movements	—	268,184	(11,494)	256,690
<b>Balance as at 31 December 2017</b>	<b>12,068,596</b>	<b>7,206,613</b>	<b>(9,679,806)</b>	<b>9,595,403</b>

- (i) Liquid investments comprise investments that are classified as financial assets held at fair value through profit or loss held by the Group.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 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 and reinsurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. For the Group's health and accident reinsurance 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 reinsurance contracts, the most important factor is that continuous improvement of medical standards and social conditions help to extend life expectancy. Furthermore, policyholders' terminating contracts, reducing and refusing to pay premiums also impact insurance risk, which means that insurance risk is affected by policyholders' behaviours and decisions.

According to the risk characters, the Group's different departments and subsidiaries manage corresponding insurance risk by determining insurance products' underwriting standards and strategy, 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

The Group's insurance business mainly comes from Mainland China. The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance and reinsurance premium income in Note 5.

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

When measuring insurance contract reserves, the risk margin has been considered and measured at the 75% percentile by the Group. The risk margin for claim reserves falls between 2.5% and 15%, while the risk margin for unearned premium reserves falls between 3.0% and 15%. If the Group's calculated risk margin falls above/below the chosen interval, the Group chooses the upper/lower limit as the risk margin.

When determining the reserves, the Group discounts relevant future cash flows if the impact of time value of money is significant. Impact significance depends on the "duration" of insurance liability. If the duration of insurance liability is longer than one year, the time value of money is significant and should be included when determining the reserves; otherwise, it is not compulsory for determining the reserves.

#### *Sensitivity analysis*

Changes of paid loss and other factors of property and casualty, short-term life and health insurance and reinsurance business may impact changes of assumptions and further unpaid claim estimates. If all other variables remain unchanged, a 1% increase in average claim cost will result in a decrease in profit before tax by RMB621 million for the years ended 31 December 2017 (31 December 2016: RMB583 million).

Several variables' sensitivity cannot be quantified, such as legal changes, uncertainty of loss estimation and so on. In addition, time delay exists among claims occurrence, reporting and closing.

#### *Claim development tables*

According to the characteristics of property and casualty, short-term life and health insurance and reinsurance business, the claim development information is disclosed based on accident year for primary insurance and underwriting year for reinsurance respectively:

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

Gross

	2012 and earlier	2013	2014	2015	2016	2017	Total
Cumulated loss estimate							
Year ending	46,603,711	11,641,703	12,351,301	15,698,652	15,514,119	18,384,153	
1 year later	46,583,028	11,994,602	12,152,903	15,237,312	15,327,246		
2 years later	46,363,539	11,499,370	11,920,235	15,198,172			
3 years later	46,389,226	11,401,731	11,851,323				
4 years later	46,365,145	11,365,804					
5 years later	46,349,787						
Estimated cumulated claims	46,349,787	11,365,804	11,851,323	15,198,172	15,327,246	18,384,153	118,476,485
Less: Cumulated claims paid	46,224,743	11,293,702	11,669,756	14,749,001	14,378,617	12,269,738	110,585,557
Add: Adjustments in prior periods and unallocated loss adjustment expense ("ULAE"), discount and risk margin							649,652
Estimated unpaid claims							8,540,580



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

Net

	2012 and earlier	2013	2014	2015	2016	2017	Total
Cumulated loss estimate							
Year ending	36,898,105	10,248,170	11,010,672	12,712,994	14,283,765	16,901,713	
1 year later	36,931,729	10,203,235	10,680,709	12,596,186	14,141,045		
2 years later	36,793,715	10,014,769	10,544,676	12,574,274			
3 years later	36,751,990	9,961,203	10,520,891				
4 years later	36,729,893	9,950,425					
5 years later	36,724,979						
Estimated cumulated claims	36,724,979	9,950,425	10,520,891	12,574,274	14,141,045	16,901,713	100,813,327
Less: Cumulated claims paid	36,664,118	9,920,063	10,450,439	12,200,777	13,383,736	11,518,506	94,137,639
Add: Adjustments in prior periods and ULAE, discount and risk margin							557,394
Estimated unpaid claims							7,233,082
Less: Estimated unpaid claims assumed by China Re Group							(393,360)
Gross estimated unpaid claims							7,626,442

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

##### (ii) Reinsurance contracts

Gross

	2012 and earlier	2013	2014	2015	2016	2017	Total
Cumulated loss estimate							
Year ending	185,696,601	23,087,881	24,145,598	26,767,993	20,918,990	22,248,638	
1 year later	184,753,514	23,053,149	22,786,463	26,242,154	21,945,487		
2 years later	183,498,109	22,085,165	21,206,265	24,913,394			
3 years later	183,434,826	21,996,055	20,401,795				
4 years later	185,553,142	21,804,049					
5 years later	184,244,637						
Estimated cumulated claims	184,244,637	21,804,049	20,401,795	24,913,394	21,945,487	22,248,638	295,558,000
Less: Cumulated claims paid	181,306,608	21,120,510	19,141,079	20,179,240	13,239,462	2,786,099	257,772,998
Unearned claims	525	2,063	9,129	24,657	104,273	9,190,745	9,331,392
Add: Risk margin, discount and ULAE	(523,258)	30,589	50,971	235,239	469,361	652,212	915,114
Estimated unpaid claims	2,414,246	712,065	1,302,558	4,944,736	9,071,113	10,924,006	29,368,724
Less: Estimated unpaid claims assumed by China Continent Insurance							796,147
Gross estimated unpaid claims							28,572,577

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

##### (ii) Reinsurance contracts (continued)

Net

	2012 and earlier	2013	2014	2015	2016	2017	Total
Cumulated loss estimate							
Year ending	182,915,150	21,333,766	22,610,308	24,096,741	19,354,209	20,443,555	
1 year later	182,671,973	21,943,758	21,593,296	24,649,264	20,237,148		
2 years later	181,197,735	20,994,014	19,927,023	23,433,212			
3 years later	181,405,195	21,064,241	19,177,820				
4 years later	183,613,648	20,857,897					
5 years later	182,251,051						
Estimated cumulated claims	182,251,051	20,857,897	19,177,820	23,433,212	20,237,148	20,443,555	286,400,683
Less: Cumulated claims paid	178,950,978	19,978,833	17,934,783	18,684,410	12,031,355	2,543,578	250,123,937
Unearned claims	524	2,059	8,874	19,238	102,829	8,653,768	8,787,292
Add: Risk margin, discount and ULAE	(927,059)	(179,275)	48,751	(12,800)	396,021	501,033	(173,329)
Estimated unpaid claims	2,372,490	697,730	1,282,914	4,716,764	8,498,985	9,747,242	27,316,125
Less: Estimated unpaid claims assumed by China Continent Insurance							773,448
Gross estimated unpaid claims							26,542,677

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

##### (b) Assumptions and sensitivity analysis for long-term life and health insurance contracts

###### *Major assumptions*

Life and health insurance contract reserve is determined by the Group's reasonable estimate of future payments, premiums and related expenses, as well as considering risk margin. Mortality rates, morbidity rates, lapse rates, discount rates and loss adjustment expense assumptions adopted in reasonable estimation are determined by latest experience study, current and future expectations. Uncertainty of liabilities arisen from the uncertainty of future cash flows including future claim payments, premium and related expenses, etc. are reflected through risk margin.

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

###### *Sensitivity analysis*

Significant assumptions involved in reserve calculation include mortality rates, morbidity rates, lapse rates, and investment return, etc.

	Changes in assumptions	Impact on profit before tax	
		2017	2016
Mortality/morbidity	+10%	(218,020)	(221,979)
Mortality/morbidity	-10%	224,381	227,600
Lapse rate	+10%	43,616	41,364
Lapse rate	-10%	(9,698)	(42,026)
Discount rate	+50bp	1,151,153	989,714
Discount rate	-50bp	(1,253,445)	(1,088,724)

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 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 plan, trust schemes and wealth management products with high credit ratings and time deposits in state-owned commercial banks, etc. As at 31 December 2017, 100% (31 December 2016: 93%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2017, 96 % (31 December 2016:100%) of the corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC. As at 31 December 2017, 78% (31 December 2016: 75%) of the debt investment plan are guaranteed by third parties or collateralised, 100% (31 December 2016: 100%) of the trust schemes are guaranteed by third parties.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

##### (i) Credit risk exposure

The Group's maximum exposure to credit risk is the carrying amount of the financial assets in the consolidated statement of financial position. The maximum exposure to credit risk in respect of the financial guarantees of the Group as at 31 December 2017 is disclosed in Note 54.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

	2017				Total
	Not due	Financial assets due but not impaired		Financial assets due and impaired	
		within 1 year	after 1 year		
Cash and short-term time deposits	10,753,859	—	—	—	10,753,859
Fixed maturity securities carried at fair value through profit or loss	227,488	—	—	—	227,488
Financial assets held under resale agreements	2,558,402	—	—	—	2,558,402
Premiums receivable	4,324,105	43,353	—	129,477	4,496,935
Reinsurance debtors	21,099,021	23,601	37,926	1,979,202	23,139,750
Time deposits	5,239,747	—	—	—	5,239,747
Available-for-sale fixed maturity investments	44,865,831	—	—	—	44,865,831
Held-to-maturity investments	25,982,685	—	—	—	25,982,685
Investments classified as loans and receivables	32,871,394	—	—	—	32,871,394
Reinsurers' share of policy loans	419,502	—	—	—	419,502
Investment contracts receivable	851,538	—	—	—	851,538
Statutory deposits	14,561,460	—	—	—	14,561,460
Other financial assets	7,050,895	—	—	20,618	7,071,513
<b>Sub-total</b>	<b>170,805,927</b>	<b>66,954</b>	<b>37,926</b>	<b>2,129,297</b>	<b>173,040,104</b>
Less: impairment provisions					(268,780)
<b>Total</b>					<b>172,771,324</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

	2016				Total
	Not due	Financial assets due but not impaired		Financial assets due and impaired	
		within 1 year	after 1 year		
Cash and short-term time deposits	16,833,425	—	—	—	16,833,425
Debt securities carried at fair value through profit or loss	393,673	—	—	—	393,673
Financial assets held under resale agreements	4,252,301	—	—	—	4,252,301
Premiums receivable	680,503	1,446,580	—	89,816	2,216,899
Reinsurance debtors	20,427,181	261,298	37,248	406,878	21,132,605
Time deposits	13,505,066	—	—	—	13,505,066
Available-for-sale debt securities	29,991,412	—	—	—	29,991,412
Held-to-maturity investments	18,483,057	—	—	—	18,483,057
Investments classified as loans and receivables	25,893,884	—	—	—	25,893,884
Reinsurers' share of policy loans	365,622	—	—	—	365,622
Investment contracts receivable	124,343	—	—	—	124,343
Statutory deposits	14,718,052	—	—	—	14,718,052
Other financial assets	7,093,954	—	—	20,021	7,113,975
<b>Sub-total</b>	<b>152,762,473</b>	<b>1,707,878</b>	<b>37,248</b>	<b>516,715</b>	<b>155,024,314</b>
Less: impairment provisions					(233,181)
<b>Total</b>					<b>154,791,133</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

##### (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.

##### Fair value interest rate risk

The sensitivity analysis below indicates the instantaneous change in the Group’s net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

	Interest rate change	Impact on equity	
		2017	2016
Financial assets at fair value through profit or loss	+50bp	(189)	(2,848)
Financial assets at fair value through profit or loss	-50bp	189	2,848
Available-for-sale financial assets	+50bp	(644,202)	(418,124)
Available-for-sale financial assets	-50bp	644,202	418,124

	Interest rate change	Impact on net profit	
		2017	2016
Financial assets at fair value through profit or loss	+50bp	(189)	(2,848)
Financial assets at fair value through profit or loss	-50bp	189	2,848
Available-for-sale financial assets	+50bp	—	—
Available-for-sale financial assets	-50bp	—	—



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

###### *Cash flow interest rate risk*

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for each reporting date.

	Interest rate change	Impact on net profit/equity	
		2017	2016
Floating interest rate debt securities	+50bp	1,750	2,099
Floating interest rate debt securities	-50bp	(1,750)	(2,099)
Floating interest rate debt investment	+50bp	4,875	4,003
Floating interest rate debt investment	-50bp	(4,875)	(4,003)
Floating interest rate deposits	+50bp	—	—
Floating interest rate deposits	-50bp	—	—

###### (ii) Currency risk

The Group is exposed to currency risk primarily through holding monetary financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities denominated in foreign currencies, which mainly including cash and short-term time deposits, time deposits, debt investments, reinsurance debtors, reinsurance payables and insurance contract liabilities.

The following table summarises the Group's financial instruments, insurance contract liabilities and reinsurers' share of insurance contract liabilities by major currency at the end of the reporting period, expressed in the RMB equivalent.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

	2017						Total
	RMB	USD	HKD	GBP	EUR	Others	
Cash and short-term time deposits	3,154,150	3,160,906	3,356,837	83,626	486,545	511,795	10,753,859
Financial assets at fair value through profit or loss	2,358,077	4,183,377	665,159	—	—	—	7,206,613
Financial assets held under resale agreements	2,558,402	—	—	—	—	—	2,558,402
Premiums receivable	4,136,737	187,192	88	23,608	15,077	4,756	4,367,458
Reinsurance debtors	20,472,665	1,390,600	141,341	25,874	566,573	424,012	23,021,065
Reinsurers' share of insurance contract liabilities	3,876,930	911,977	37	69,734	10,817	11,306	4,880,801
Time deposits	1,515,000	2,760,832	788,982	75,354	—	99,579	5,239,747
Available-for-sale financial assets	65,578,196	1,955,627	6,913,645	—	4,500,860	—	78,948,328
Held-to-maturity investments	25,982,685	—	—	—	—	—	25,982,685
Investments classified as loans and receivables	31,474,717	1,396,677	—	—	—	—	32,871,394
Reinsurers' share of policy loans	419,502	—	—	—	—	—	419,502
Investment contracts receivable	851,538	—	—	—	—	—	851,538
Statutory deposits	14,561,460	—	—	—	—	—	14,561,460
Other financial assets	4,515,634	1,826,227	70,520	182,026	277,368	179,120	7,050,895
<b>Total</b>	<b>181,455,693</b>	<b>17,773,415</b>	<b>11,936,609</b>	<b>460,222</b>	<b>5,857,240</b>	<b>1,230,568</b>	<b>218,713,747</b>
Derivative financial instruments	—	47,608	—	—	—	—	47,608
Securities sold under agreements to repurchase	7,710,503	—	—	—	—	—	7,710,503
Reinsurance payables	10,327,440	1,091,565	21,264	5,134	290,880	138,672	11,874,955
Income tax payable	479,690	—	—	4,052	—	—	483,742
Policyholders' deposits	232,403	445,887	990,876	—	—	—	1,669,166
Investment contract liabilities	11,753,595	308,991	884,221	—	—	—	12,946,807
Insurance contract liabilities	93,506,947	9,218,467	3,497,589	184,575	503,384	1,215,344	108,126,306
Notes payable	—	9,679,806	—	—	—	—	9,679,806
Other financial liabilities	9,943,241	649,239	710,930	44,254	288,612	105,524	11,741,800
<b>Total</b>	<b>133,953,819</b>	<b>21,441,563</b>	<b>6,104,880</b>	<b>238,015</b>	<b>1,082,876</b>	<b>1,459,540</b>	<b>164,280,693</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

	2016						Total
	RMB	USD	HKD	GBP	EUR	Others	
Cash and short-term time deposits	8,310,941	4,963,453	2,810,630	208,352	326,646	213,403	16,833,425
Financial assets at fair value							
through profit or loss	3,646,820	—	585,490	—	—	—	4,232,310
Financial assets held under							
resale agreements	4,252,301	—	—	—	—	—	4,252,301
Premiums receivable	1,957,134	153,587	77	11,683	4,602	—	2,127,083
Reinsurance debtors	18,554,987	1,427,828	365,365	16,856	458,358	185,866	21,009,260
Reinsurers' share of insurance							
contract liabilities	4,342,953	405,364	46	142,054	2,246	—	4,892,663
Time deposits	13,193,985	241,761	—	69,320	—	—	13,505,066
Available-for-sale financial assets	48,335,567	1,645,334	6,263,149	—	—	—	56,244,050
Held-to-maturity investments	18,483,057	—	—	—	—	—	18,483,057
Investments classified as loans							
and receivables	25,893,884	—	—	—	—	—	25,893,884
Reinsurers' share of policy loans	365,622	—	—	—	—	—	365,622
Investment contracts receivable	116,424	433	7,486	—	—	—	124,343
Statutory deposits	14,718,052	—	—	—	—	—	14,718,052
Other financial assets	5,135,689	469,674	39,199	1,341,496	38,319	69,577	7,093,954
<b>Total</b>	<b>167,307,416</b>	<b>9,307,434</b>	<b>10,071,442</b>	<b>1,789,761</b>	<b>830,170</b>	<b>468,847</b>	<b>189,775,070</b>
Securities sold under agreements							
to repurchase	2,737,680	—	—	—	—	—	2,737,680
Reinsurance payables	10,984,643	683,639	11,058	331,335	132,199	74,495	12,217,369
Income tax payable	188,683	—	—	528	—	—	189,211
Policyholders' deposits	800,171	69,529	416,431	—	—	—	1,286,131
Investment contract liabilities	10,704,310	221,186	604,606	—	—	—	11,530,102
Insurance contract liabilities	83,975,297	7,701,681	1,958,931	1,192,306	286,219	66,160	95,180,594
Other financial liabilities	12,048,694	728,439	97,996	61,276	75,022	25,656	13,037,083
<b>Total</b>	<b>121,439,478</b>	<b>9,404,474</b>	<b>3,089,022</b>	<b>1,585,445</b>	<b>493,441</b>	<b>166,310</b>	<b>136,178,170</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

##### *Sensitivity analysis*

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Currency	Changes in exchange rate	Impact on profit after tax		Impact on equity	
		2017	2016	2017	2016
USD	+5%	(210,892)	(65,339)	(137,556)	(3,639)
USD	-5%	210,892	65,339	137,556	3,639
HKD	+5%	(40,572)	26,973	218,690	261,841
HKD	-5%	40,572	(26,973)	(218,690)	(261,841)
GBP	+5%	8,333	7,662	8,333	7,662
GBP	-5%	(8,333)	(7,662)	(8,333)	(7,662)
EUR	+5%	10,256	12,627	179,039	12,627
EUR	-5%	(10,256)	(12,627)	(179,039)	(12,627)

##### (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% assumed under normal market condition.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

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

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

Under normal market conditions, the impact on net equity of 1-day potential loss of equity investments such as equity shares and investment funds is estimated using the VaR technique as follows (presented in negative value):

	2017	2016
Financial assets at fair value through profit or loss		
Equity shares	(690)	(10,862)
Investment funds	—	(39)
Sub-total	(690)	(10,901)
Available-for-sale financial assets		
Equity shares	(106,610)	(245,768)
Investment funds	(14,150)	(51,442)
Sub-total	(120,760)	(297,210)
Total	(121,450)	(308,111)

##### (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 flows.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

##### (c) Liquidity risk (continued)

	31 December 2017					Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
<b>Assets:</b>						
Cash and short-term time deposits	10,772,051	—	—	—	10,772,051	10,753,859
Debt securities carried at fair value through profit or loss	210,613	110	6,649	8,864	226,236	227,488
Equity securities carried at fair value through profit or loss	6,979,125	—	—	—	6,979,125	6,979,125
Financial assets held under resale agreements	2,563,888	—	—	—	2,563,888	2,558,402
Premiums receivable	2,393,798	1,275,754	679,078	18,828	4,367,458	4,367,458
Reinsurance debtors	23,056,932	—	—	—	23,056,932	23,021,065
Reinsurers' share of insurance contract liabilities	2,809,313	472,538	1,016,991	465,519	4,764,361	4,880,801
Time deposits	4,986,579	5,294	325,304	—	5,317,177	5,239,747
Available-for-sale fixed maturity investments	3,972,039	5,494,072	31,159,849	15,531,277	56,157,237	44,865,831
Available-for-sale equity securities	34,082,497	—	—	—	34,082,497	34,082,497
Held-to-maturity investments	824,099	2,598,983	11,773,202	22,101,268	37,297,552	25,982,685
Investments classified as loans and receivables	3,510,960	5,148,186	12,664,852	28,482,146	49,806,144	32,871,394
Reinsurers' share of policy loans	419,502	—	—	—	419,502	419,502
Investment contracts receivable	851,538	—	—	—	851,538	851,538
Statutory deposits	3,026,918	4,083,422	8,613,961	—	15,724,301	14,561,460
Other financial assets	4,784,763	764,186	1,114,953	748,003	7,411,905	7,050,895
<b>Total</b>	<b>105,244,615</b>	<b>19,842,545</b>	<b>67,354,839</b>	<b>67,355,905</b>	<b>259,797,904</b>	<b>218,713,747</b>
<b>Liabilities:</b>						
Derivative financial instruments	47,608	—	—	—	47,608	47,608
Securities sold under agreements to repurchase	7,721,367	—	—	—	7,721,367	7,710,503
Reinsurance payables	11,677,054	118,106	79,795	—	11,874,955	11,874,955
Income tax payable	483,742	—	—	—	483,742	483,742
Policyholders' deposits	1,381,240	286,836	1,090	—	1,669,166	1,669,166
Investment contract liabilities	1,597,827	1,592,071	6,067,563	8,626,378	17,883,839	12,946,807
Insurance contract liabilities	45,857,228	12,168,143	33,780,592	32,732,062	124,538,025	108,126,306
Notes payable	227,880	330,794	10,628,284	—	11,186,958	9,679,806
Other financial liabilities	11,611,456	6,359	20,126	234,104	11,872,045	11,741,800
<b>Total</b>	<b>80,605,402</b>	<b>14,502,309</b>	<b>50,577,450</b>	<b>41,592,544</b>	<b>187,277,705</b>	<b>164,280,693</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 RISK MANAGEMENT (continued)

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

##### (c) Liquidity risk (continued)

	31 December 2016					Total	Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years			
<b>Assets:</b>							
Cash and short-term time deposits	16,836,410	—	—	—	16,836,410	16,833,425	
Debt securities carried at fair value through profit or loss	12,849	399,721	2,521	—	415,091	393,673	
Equity securities carried at fair value through profit or loss	3,838,637	—	—	—	3,838,637	3,838,637	
Financial assets held under resale agreements	4,254,396	—	—	—	4,254,396	4,252,301	
Premiums receivable	2,127,083	—	—	—	2,127,083	2,127,083	
Reinsurance debtors	19,724,431	1,386,390	—	—	21,110,821	21,009,260	
Reinsurers' share of insurance contract liabilities	3,571,272	767,984	546,518	36,381	4,922,155	4,892,663	
Time deposits	12,333,758	1,506,625	—	—	13,840,383	13,505,066	
Available-for-sale fixed maturity investments	5,286,889	7,439,222	11,785,584	10,578,434	35,090,129	29,991,412	
Available-for-sale equity securities	26,252,638	—	—	—	26,252,638	26,252,638	
Held-to-maturity investments	858,101	953,992	4,801,211	22,226,504	28,839,808	18,483,057	
Investments classified as loans and receivables	2,273,426	4,318,701	10,596,050	22,986,659	40,174,836	25,893,884	
Reinsurers' share of policy loans	365,622	—	—	—	365,622	365,622	
Investment contracts receivable	124,343	—	—	—	124,343	124,343	
Statutory deposits	7,338,185	3,210,301	5,081,247	—	15,629,733	14,718,052	
Other financial assets	5,371,125	59,016	1,663,813	—	7,093,954	7,093,954	
<b>Total</b>	<b>110,569,165</b>	<b>20,041,952</b>	<b>34,476,944</b>	<b>55,827,978</b>	<b>220,916,039</b>	<b>189,775,070</b>	
<b>Liabilities:</b>							
Securities sold under agreements to repurchase	2,739,190	—	—	—	2,739,190	2,737,680	
Reinsurance payables	11,772,414	—	444,955	—	12,217,369	12,217,369	
Income tax payable	189,211	—	—	—	189,211	189,211	
Policyholders' deposits	1,240,777	43,757	1,597	—	1,286,131	1,286,131	
Investment contract liabilities	285,022	808,163	5,193,979	11,255,597	17,542,761	11,530,102	
Insurance contract liabilities	47,619,770	14,417,040	15,455,683	24,871,547	102,364,040	95,180,594	
Other financial liabilities	8,891,604	112,845	591,673	3,440,962	13,037,084	13,037,083	
<b>Total</b>	<b>72,737,988</b>	<b>15,381,805</b>	<b>21,687,887</b>	<b>39,568,106</b>	<b>149,375,786</b>	<b>136,178,170</b>	

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 51 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 31 December 2017 on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Fixed maturity investment	227,488	208,121	19,367	—
— Equity securities	6,979,125	2,371,320	3,814,394	793,411
Available-for-sale financial assets				
— Fixed maturity investment	44,865,831	—	44,065,831	800,000
— Equity securities	34,082,497	22,983,429	434,529	10,664,539
<b>Total</b>	<b>86,154,941</b>	<b>25,562,870</b>	<b>48,334,121</b>	<b>12,257,950</b>



# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 51 FAIR VALUE MEASUREMENT (continued)

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

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

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

	Available-for-sale financial assets		Financial assets at fair value through profit or loss	
	2017	2016	2017	2016
At 1 January	4,378,236	2,460,792	37,691	—
Additions	6,777,265	1,634,992	675,640	—
Expirations	(160,000)	—	—	—
Change in profit or loss/equity	469,038	282,452	80,080	37,691
<b>At 31 December</b>	<b>11,464,539</b>	<b>4,378,236</b>	<b>793,411</b>	<b>37,691</b>

#### Valuation techniques and inputs used in Level 2 fair value measurements

As at 31 December 2017, most of the prices of debt securities obtained from the valuation service providers are issued by the Chinese government and state-owned organisations. These valuation service providers utilise a discounted cash flow valuation model using observable market parameters, mainly interest rate, to determine a fair value.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 51 FAIR VALUE MEASUREMENT (continued)

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

Due to changes in availability of quoted prices in active markets, the Group transferred certain securities between Level 1 and Level 2. As at 31 December 2017, the Group transferred securities of RMB781 million (31 December 2016: RMB301 million) from Level 1 to Level 2 and RMB8 million (31 December 2016: RMB36 million) from Level 2 to Level 1.

The year ended 31 December 2017 and 31 December 2016, the Group did not have any assets transferred between fair value hierarchy Level 2 and Level 3.

#### *Valuation techniques and inputs used in Level 3 fair value measurements*

For derivative instruments, investment funds, unlisted equity share, etc., held by the Group, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value. The valuation techniques include discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

31 December 2017	Fair value
Derivative instruments	191,919
Investment funds	4,158,865
Unlisted equity shares	5,862,154
Others	2,045,012

The unobservable inputs which may have impact on the valuation include credit premium, valuation multiples of comparable companies, etc.

Critical unobservable inputs	Impacts on fair value measurements
Credit premium	The higher of credit premium, the lower the fair value
Valuation multiples of comparable companies	The higher of valuation multiples, the higher the fair value

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 51 FAIR VALUE MEASUREMENT (continued)

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2017 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	31 December 2017		31 December 2017 The fair value hierarchy		
	carrying amount	fair value	Level 1	Level 2	Level 3
Held-to-maturity financial assets	25,982,685	25,797,826	—	25,797,826	—

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

The fair values of the financial assets included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

### 52 CAPITAL MANAGEMENT

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

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 CAPITAL MANAGEMENT (continued)

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'. The Group adjusted the objective, policy and process of capital management. As at 31 December 2017, the Group was compliant with the relevant regulatory capital requirements.

31 December 2017	(in RMB millions, except for percentages)			
	Actual capital	Minimum capital	Core solvency adequacy ratio	Aggregated solvency adequacy ratio
The Group	55,465	28,145	197%	197%
The Company	54,157	9,857	549%	549%
China Re P&C	18,003	8,243	218%	218%
China Re Life	17,425	7,461	234%	234%
China Continent Insurance	13,360	5,007	267%	267%

### 53 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Ultimate parent

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

#### (2) Significant related parties

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

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

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

	2017	2016
Interest income	91,853	242,704
Premium income	4,495	1,663
Claims payments	165,442	87
Fees and commissions	100	67

During the year ended 31 December 2017, the Group received the dividends from China Everbright Bank of RMB225,716 thousand (the year ended 2016, RMB438,255 thousand).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 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 the associate are as follows:

	31 December 2017	31 December 2016
Cash and short-term time deposits	111,745	65,417
Time deposits	15,000	1,000,000
Statutory deposits	414,433	225,444
Interest receivables	70,264	79,135
Debt investments	998,955	998,897
Premiums receivable	645	—

#### (4) Key management personnel remuneration:

	2017	2016
Salaries, allowances and benefits in kind	7,656	7,749
Discretionary bonuses	7,586	7,703
Employer's contribution to a retirement benefit scheme	859	983
Total	16,101	16,435

The total compensation package for the Company's key management personnel for the year ended 31 December 2017 has not yet been finalised in accordance with regulations of the relevant PRC authorities, and will be disclosed when determined. The compensation amounts disclosed above for the Company's key management personnel for the year ended 31 December 2016 were restated based on the finalised amounts determined during 2017.

#### (5) 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.

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 SIGNIFICANT RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (5) Transactions with state-owned entities in the PRC (continued)

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

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

As at the 31 December 2017, 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 (31 December 2016: same). For the year ended 31 December 2017, a large portion of its reinsurance business of the Group was with state-owned insurance companies (the year ended 31 December 2016: same).

### 54 CONTINGENCIES

As at 31 December 2017, the Group has issued the following guarantees:

- (1) As at 31 December 2017, the Company provided maritime guarantee of RMB2,313 million (31 December 2016: RMB2,258 million) for domestic and overseas ship mutual insurance associations or overseas insurance institutions which provided 100% of counter guarantee for the aforesaid maritime guarantee.
- (2) China Re UK, a subsidiary of the Company, became a member of Lloyd's and established China Re Syndicate 2088 at the end of 2011. As at 31 December 2017, the Company provided letter of credit to Lloyd's to support China Re Syndicate 2088's underwriting business of GBP125 million (31 December 2016: GBP90 million).

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55 COMMITMENTS

#### (1) Capital commitments

	31 December 2017	31 December 2016
Contracted for		
— Intangible assets commitments	361,739	9,261
— Property and equipment commitments	16,817	976
— Investment commitments	808,320	714,163
Authorised but not contracted for		
— Investment commitments	89,922	198,055
<b>Total</b>	<b>1,276,798</b>	<b>922,455</b>

#### (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:

	31 December 2017	31 December 2016
Within 1 year	341,430	319,620
1 to 2 years	220,996	191,100
2 to 3 years	148,985	124,282
3 to 5 years	97,007	133,691
Over 5 years	144,176	88,439
<b>Total</b>	<b>952,594</b>	<b>857,132</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issuance of the financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the accounting year ended 31 December 2017 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group:

IFRS 9	Financial Instruments <sup>(1)</sup>
IFRS 15	Revenue from Contracts with Customers <sup>(1)</sup>
IFRS 16	Leases <sup>(2)</sup>
IFRS 17	Insurance Contracts <sup>(5)</sup>
Amendment to IAS 28	Investments in associates and joint ventures <sup>(1)</sup>
Amendment to IAS 40	Transfers of investment property <sup>(1)</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>(3)</sup>
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>(4)</sup>

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

(2) Effective for the accounting period beginning on 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time.

(3) Effective for the accounting period beginning on 1 January 2018 or when the entity first applies IFRS 9.

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

(5) Effective for the accounting period beginning on 1 January 2021.

#### *IFRS 9, Financial instruments*

On 24 July 2014, the IASB issued the complete standard of IFRS 9 (IFRS 9 (2014)).

#### *Classification and measurement of financial assets and financial liabilities*

IFRS 9 retains but simplifies the mixed measurement model by allowing three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income, with the basis of classification dependent on the entity's business model and contractual cash flow characteristics of the financial assets. IFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity's own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss ("own credit risk requirements").



# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### *Impairment*

The new impairment methodology in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

Since the Group is in the process of making an assessment on overall impact of IFRS 9, given the nature of the Group’s operations, this standard is expected to have a material impact on the Group’s financial statements. For instance, the Group will replace incurred loss model with the expected loss model in the calculation of impairment of financial assets. The Group will change the categories for financial assets from four categories into three categories, and the corresponding measurement of financial assets.

#### **Amendments to IFRS 4, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***

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

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

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

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

The Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the deferral approach. CEB, the Group's material associate, will adopt IFRS 9 on 1 January 2018. The Group decides not to adopt uniform accounting policies in group level.

The adoption of IFRS 9 by CEB on 1 January 2018 is expected to have impact on total equity of the Group as at 1 January 2018.

#### *IFRS 15, Revenue from contracts with customers*

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

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

#### *IFRS 16, Leases*

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### *IFRS 17, Insurance Contracts*

IFRS 17 was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cashflows, a risk adjustment and a contractual service margin representing the unearned profit of the contract.

#### *Amendment to IAS 28, Investments in associates and joint ventures*

The amendment is part of the annual improvements to IFRSs 2014-2016 cycle. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition.

#### *Amendment to IAS 40, Transfers of investment property*

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

#### *Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture*

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

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

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 57 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

#### (1) Company-level statement of financial position

	31 December 2017	31 December 2016
<b>Assets</b>		
Cash and short-term time deposits	3,089,146	4,275,011
Financial assets at fair value through profit or loss	488,095	1,527,388
Reinsurance debtors	1,145,440	1,367,765
Reinsurers' share of insurance contract liabilities	103,813	141,491
Time deposits	157,461	205,384
Available-for-sale financial assets	11,943,064	9,312,094
Held-to-maturity investments	978,753	890,327
Investments classified as loans and receivables	—	80,000
Reinsurers' share of Policy loans	44,661	34,946
Investment contracts receivables	909,822	30,766
Investments in subsidiaries	30,486,626	30,486,626
Investments in associates	6,199,587	5,527,628
Statutory deposits	8,500,000	8,500,000
Investment property	1,022,265	1,415,765
Property and equipment	373,891	399,456
Intangible assets	16,618	7,010
Deferred tax assets	10,486	2,003
Other assets	1,314,332	1,938,665
<b>Total assets</b>	<b>66,784,060</b>	<b>66,142,325</b>

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 57 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

#### (1) Company-level statement of financial position (continued)

	31 December 2017	31 December 2016
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Securities sold under agreements to repurchase	370,000	134,886
Reinsurance payables	310,466	336,581
Income tax payable	87,620	150,496
Investment contract liabilities	870,041	—
Insurance contract liabilities	6,404,512	8,093,889
Deferred tax liabilities	478,512	328,231
Other liabilities	1,146,072	1,236,754
<b>Total liabilities</b>	<b>9,667,223</b>	<b>10,280,837</b>
<b>Equity</b>		
Share capital	42,479,808	42,479,808
Reserves	10,724,502	10,252,354
Retained profits	3,912,527	3,129,326
<b>Total equity</b>	<b>57,116,837</b>	<b>55,861,488</b>
<b>Total liabilities and equity</b>	<b>66,784,060</b>	<b>66,142,325</b>

The company-level statement of financial position was approved by the Board of Directors on 28 March 2018 and was signed on its behalf.

**Yuan Linjiang**  
Director

**He Chunlei**  
Director

**Yu Qing**  
Vice President, responsible for accounting

**Tian Meipan**  
Chief Actuary

# FINANCIAL STATEMENTS AND NOTES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 57 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (continued)

#### (2) Company-level statement of changes in equity

	Share capital	Capital reserve	Surplus reserve	General risk reserve	Defined benefit liability remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Total
Balance at 1 January 2016	42,479,808	7,105,182	1,075,655	1,075,655	(7,447)	296,939	—	1,955,452	53,981,244
Changes in equity for 2016									
Total comprehensive income for the year	—	—	—	—	4,674	(81,227)	1,663	3,909,931	3,835,041
Dividends approved in respect of the previous year (RMB4.6 cents per share)	—	—	—	—	—	—	—	(1,954,071)	(1,954,071)
Appropriation for surplus reserve	—	—	390,993	—	—	—	—	(390,993)	—
Appropriation for general risk reserve	—	—	—	390,993	—	—	—	(390,993)	—
Others	—	(726)	—	—	—	—	—	—	(726)
Balance at 31 December 2016	42,479,808	7,104,456	1,466,648	1,466,648	(2,773)	215,712	1,663	3,129,326	55,861,488
Changes in equity for 2017									
Total comprehensive income for the year	—	—	—	—	(12,919)	(180,923)	4,091	3,527,792	3,338,041
Dividends approved in respect of the previous year (RMB4.8 cents per share)	—	—	—	—	—	—	—	(2,039,031)	(2,039,031)
Appropriation for surplus reserve	—	—	352,780	—	—	—	—	(352,780)	—
Appropriation for general risk reserve	—	—	—	352,780	—	—	—	(352,780)	—
Others	—	(43,661)	—	—	—	—	—	—	(43,661)
Balance at 31 December 2017	42,479,808	7,060,795	1,819,428	1,819,428	(15,692)	34,789	5,754	3,912,527	57,116,837

# FINANCIAL STATEMENTS AND NOTES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

#### (1) Dividends

On 28 March 2018, the Board of Directors of the Company proposed a final dividend of RMB0.048 per ordinary share (tax inclusive) and is subject to the approval of shareholders of the Company at the 2017 annual general meeting.

#### (2) Share Transfer

On 16 March 2018, the Ministry of Finance of the PRC (“the Ministry of Finance”) and the Ministry of Human Resources and Social Security issued <The notice from the Ministry of Finance and the Ministry of Human Resources and Social Security about transferring partial state owned capital shares of China Reinsurance (Group) Corporation>. According to the notice, the Ministry of Finance, shareholder of the Company, will transfer 10% of its domestic shareholdings, which is 540,253,904 shares of the Company’s domestic shareholdings, representing 1.27% of the Company’s total ordinary shares, to National Council for Social Security Fund (“The transfer”). After the transfer, the Ministry of Finance will hold 4,862,285,131 shares of the Company’s domestic shareholdings, representing 11.45% of the Company’s total ordinary shares; domestic shareholdings held by National Council for Social Security Fund will increase by 540,253,904 shares, representing 1.27% of the Company’s total ordinary shares. The shareholdings of other shareholders remain unchanged.

### 59 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentations in current period.

### 60 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.

# DEFINITIONS

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“Articles of Association”	the articles of association of our Company as adopted at our shareholders’ meeting held on 26 June 2015 and approved by the CIRC on 9 July 2015 and 2 March 2016
“Belt and Road Initiative”	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of PRC on 28 March 2015
“Board of Directors” or “Board”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“C-ROSS”	China Risk Oriented Solvency System, which is China’s second generation insurance solvency regulation system
“Central Huijin”	Central Huijin Investment Ltd.
“China” or “PRC”	the People’s Republic of China and, for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” or the “PRC” do not include Hong Kong, Macau and Taiwan
“China Continent Insurance”	China Continent Property & Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003
“China Re AMC”	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005
“China Re AMC HK”	China Re Asset Management (Hong Kong) Company Ltd. (中再資產管理(香港)有限公司), a subsidiary of China Re AMC incorporated in Hong Kong on 22 January 2015
“China Re Life”	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
“China Re P&C”	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003



# DEFINITIONS

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“China Re Syndicate 2088”	the syndicate established at Lloyd’s in December 2011 by the Company through China Re UK
“China Re UK”	China Re UK Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 28 September 2011
“China Re Underwriting”	China Re Underwriting Agency Limited, a wholly-owned subsidiary of the Company incorporated in England and Wales on 8 August 2014, formerly known as China Re Agency Limited
“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會), the newly established China Banking Insurance Regulatory Commission (中國銀行保險監督管理委員會) officially listed for operation in April, 2018
“CNIP”	China Nuclear Insurance Pool
“Company” or “Group Company”	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “China Re Group” or “we”	our Company and its subsidiaries (except where the context requires otherwise)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huatai Insurance Agency”	Huatai Insurance Agency and Consultant Service Limited (華泰保險經紀有限公司), a subsidiary of the Company incorporated in the PRC on 1 March 1993
“Latest Practicable Date”	16 April 2018, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
“Listing Date”	26 October 2015, being the date on which the H shares of the Company became listed on the Hong Kong Stock Exchange
“Lloyd’s”	the Society of Lloyd’s, a global leading specialised P&C and liability insurance market
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)

# DEFINITIONS

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“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Hong Kong Listing Rules
“NAO”	the National Audit Office of the PRC
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC Insurance Law”	the Insurance Law of the PRC (《中華人民共和國保險法》), as enacted by the Standing Committee of the Eighth National People’s Congress of the PRC on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time
“Prospectus”	the prospectus of the Company dated 13 October 2015
“Reporting Period”	since 1 January 2017 until 31 December 2017
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong
“Supervisor(s)”	the supervisor(s) of the Company

# CORPORATE INFORMATION

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## REGISTERED NAMES

**Legal Chinese name:** 中國再保險（集團）  
股份有限公司  
**Chinese abbreviation:** 中再集團  
**Legal English name:** China Reinsurance  
(Group) Corporation  
**English abbreviation:** China Re

## REGISTERED OFFICE AND HEADQUARTERS

No. 11 Jinrong Avenue, Xicheng District,  
Beijing, the PRC  
(Postal code: 100033)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1618, Sun Hung Kai Centre,  
30 Harbour Road, Wanchai, Hong Kong

## PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

## CLASS OF SHARES

H shares

## STOCK NAME

China Re

## STOCK CODE

1508

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

## WEBSITE

<http://www.chinare.com.cn>

## INVESTOR RELATIONS DEPARTMENT

*Office of the Board of Directors*  
Telephone: (8610) 66576880  
Email: IR@chinare.com.cn

## LEGAL REPRESENTATIVE

Mr. Yuan Linjiang

## BOARD SECRETARY<sup>1</sup>

Ms. Zhu Xiaoyun

## AUTHORISED REPRESENTATIVES

Mr. He Chunlei  
Ms. Ng Sau Mei

## JOINT COMPANY SECRETARIES<sup>1</sup>

Ms. Zhu Xiaoyun  
Ms. Ng Sau Mei

## AUDITORS

*Domestic auditor:*  
PricewaterhouseCoopers Zhong Tian LLP

*Overseas auditor:*  
PricewaterhouseCoopers

## ACTUARIAL CONSULTANT

Ernst & Young (China) Advisory Limited

## HONG KONG LEGAL ADVISER

Clifford Chance

## COMPLIANCE ADVISER<sup>2</sup>

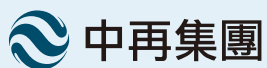
China International Capital Corporation  
Hong Kong Securities Limited

## UNIFIED SOCIAL CREDIT CODE

9110000010002371XD

- Notes: 1. Due to change of work commitment, Ms. Yu Qing ceased to be the joint company secretary and the authorised representative from 27 April 2017, and ceased to be the Board Secretary from 22 June 2017. Ms. Mok Ming Wai ceased to be the joint company secretary from 27 April 2017.
2. Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, China International Capital Corporation Hong Kong Securities Limited had been the compliance adviser of the Company from the Listing Date to 27 April 2017. On 27 April 2017, the service period of the compliance adviser expired and the Company no longer employed compliance adviser.

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