中再集团

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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors of China Reinsurance (Group) Corporation is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016, which should be read in conjunction with the following management discussion and analysis.

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

	Note	2017	2016
Total income		**109,670,901**	92,364,444
Claims and policyholders' benefits	*7*	**(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		**(16,653,761)**	(13,834,923)
Finance costs		**(429,917)**	(136,897)
Other operating and administrative expenses		**(12,294,992)**	(12,188,931)
Total benefits, claims and expenses		**(104,350,647)**	(87,408,418)
Share of profits of associates		**1,630,814**	1,446,146
Profit before tax	*8*	**6,951,068**	6,402,172
Income tax	*9*	**(1,615,033)**	(1,168,980)
Profit for the year		**5,336,035**	5,233,192
Attributable to:			
Equity shareholders of the parent		**5,256,296**	5,146,052
Non-controlling interests		**79,739**	87,140
Profit for the year		**5,336,035**	5,233,192
Earnings per share (in RMB)	*11*		
— Basic		**0.12**	0.12
— Diluted		**0.12**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2017**	2016
Profit for the year		**5,336,035**	5,233,192
Other comprehensive income for the year after tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation		**(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		**93,691**	(2,227,951)
Total comprehensive income for the year		**5,429,726**	3,005,241
Attributable to:			
Equity shareholders of the parent		**5,349,204**	2,949,550
Non-controlling interests		**80,522**	55,691
Total comprehensive income for the year		**5,429,726**	3,005,241

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

	Note	**31 December 2017**	31 December 2016
Liabilities and equity			
Liabilities			
Derivative financial instruments		**47,608**	—
Securities sold under agreements to repurchase		**7,710,503**	2,737,680
Reinsurance payables		**11,874,955**	12,217,369
Income tax payable		**483,742**	189,211
Policyholders' deposits		**1,669,166**	1,286,131
Investment contract liabilities		**12,946,807**	11,530,102
Insurance contract liabilities		**108,126,306**	95,180,594
Notes payable		**9,679,806**	—
Deferred tax liabilities		**1,087,946**	1,036,157
Other liabilities		**13,802,787**	14,890,274
Total liabilities		**167,429,626**	139,067,518
Equity			
Share capital	*15*	**42,479,808**	42,479,808
Reserves		**14,254,671**	13,241,223
Retained profits		**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
Total equity		**75,370,499**	72,139,853
Total liabilities and equity		**242,800,125**	211,207,371

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											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
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		–	–	–	–	–	(12,919)	113,251	(7,424)	–	92,908	783	93,691
Total comprehensive income		–	–	–	–	–	(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

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the parent											
			Reserves										
	Note	Share capital	Capital reserve	Surplus reserve	General risk reserve	Agriculture catastrophic loss reserve	Defined benefit obligation remeasurement reserve	Fair value reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
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		—	—	—	—	—	4,674	(2,197,165)	(4,011)	—	(2,196,502)	(31,449)	(2,227,951)
Total comprehensive income		—	—	—	—	—	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2017**	2016
Operating activities			
Cash generated from operations		**8,121,128**	(1,113,500)
Income tax paid		**(1,264,012)**	(1,640,992)
Net cash flows generated from/(used in) operating activities		**6,857,116**	(2,754,492)
Investing activities			
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 investment properties		**111,668,853**	84,525,954
Disposals of associates		**919,323**	677,625
Investments in associates		**(1,038,798)**	(2,820,265)
Net cash flows (used in) /generated from investing activities		**(22,209,444)**	7,298,796

	Note	**2017**	2016
Financing activities			
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)
Net cash flows generated from / (used in) financing activities		**11,484,717**	(8,417,580)
Net decrease in cash and cash equivalents		**(3,867,611)**	(3,873,276)
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
Cash and cash equivalents at the end of the year		**12,068,596**	16,670,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 16.

(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.

— reinsurers' share of insurance contract liabilities and insurance contract liabilities, which have been measured based on actuarial methods.

(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 introducing 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.

3 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 manages and supports the business development of the Group with its strategy, risk management, actuary, finance, legal and human resource functions; the insurance agency business and other businesses provided by the Group.

Management monitors the results of the Group's operating segments separately 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.

(in RMB thousands)	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**
Total income	**26,936,382**	**46,001,885**	**35,102,001**	**805,387**	**3,338,722**	**(2,513,476)**	**109,670,901**
— 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)**
Total benefits, claims and expenses	**(25,499,048)**	**(44,534,188)**	**(33,531,442)**	**(655,668)**	**(1,203,008)**	**1,072,707**	**(104,350,647)**
Share of profits of associates	**56,508**	**922,802**	**15,045**	**(3,884)**	**674,559**	**(34,216)**	**1,630,814**
Profit before tax	**1,493,842**	**2,390,499**	**1,585,604**	**145,835**	**2,810,273**	**(1,474,985)**	**6,951,068**
Income tax	**(197,370)**	**(492,324)**	**(415,704)**	**(38,895)**	**(470,740)**	**—**	**(1,615,033)**
Profit for the year	**1,296,472**	**1,898,175**	**1,169,900**	**106,940**	**2,339,533**	**(1,474,985)**	**5,336,035**

(in RMB thousands)	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
Total income	27,697,933	33,023,532	30,501,934	375,629	3,942,250	(3,176,834)	92,364,444
— 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)
Total benefits, claims and expenses	(25,633,312)	(32,184,735)	(28,938,386)	(312,296)	(948,365)	608,676	(87,408,418)
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)
Profit for the year	1,849,521	1,373,938	1,243,615	57,345	3,273,452	(2,564,679)	5,233,192

(in RMB thousands)	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)**
Other segment information							
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)**

(in RMB thousands)	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)
Other segment information							
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

4 Gross and net written premiums

(a) Gross written premiums

(in RMB thousands)	**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
Total	**105,336,468**	86,677,227

(b) Premiums ceded to reinsurers and retrocessionaires

(in RMB thousands)	**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
Total	**4,401,329**	3,536,754

(c) Net written premiums

(in RMB thousands)	**2017**	2016
Net written premiums	**100,935,139**	83,140,473

5 Changes in unearned premium reserves

(in RMB thousands)	**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
Total	**2,651,837**	520,548

6 Investment income

(in RMB thousands)	**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)
Total	**9,260,154**	7,738,840

(a) Interest, dividend and rental income

(in RMB thousands)	**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
Subtotal	**5,864,678**	5,703,576
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**	—
Subtotal	**742,295**	1,285,875
Rental income from investment properties	**22,256**	43,489
Total	**6,629,229**	7,032,940

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

(in RMB thousands)	**2017**	2016
Dividend income		
Listed equity securities	**139,203**	382,422
Unlisted equity securities	**603,092**	903,453
Total	**742,295**	1,285,875

(b) Realised gains

(in RMB thousands)	**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**	—
Total	**2,131,838**	579,106

(c) Unrealised gains

(in RMB thousands)	**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
Total	**268,184**	110,867

(d) Impairment losses

(in RMB thousands)	**2017**	2016
Equity securities		
— Available-for-sale financial assets	**(600,626)**	(797,106)
Total	**(600,626)**	(797,106)

7 Claims and policyholders' benefits

(in RMB thousands)		**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**
Total	**78,087,293**	**(3,115,316)**	**74,971,977**

(in RMB thousands)		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)
Total	63,398,893	(2,151,226)	61,247,667

8 Profit before tax

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

(in RMB thousands)	**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)

(in RMB thousands)	**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
Total	**4,674,054**	4,798,111

9 Income tax

(in RMB thousands)	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)
Total	**1,615,033**	1,168,980

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

(in RMB thousands)	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
Income tax	**1,615,033**	1,168,980

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.

10 Dividends

(in RMB thousands)	2017	2016
In respect of previous year:		
2017 final dividend: RMB 0.048 per ordinary share	**2,039,031**	
2016 final dividend: RMB 0.046 per ordinary share		1,954,071

11 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.

(in RMB thousands)	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

12 Premiums receivable

(in RMB thousands)	**31 December 2017**	31 December 2016
Premiums receivable	**4,496,935**	2,216,899
Less: impairment provision	**(129,477)**	(89,816)
Premiums receivable, net	**4,367,458**	2,127,083

(a) Aging analysis

(in RMB thousands)	**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
Total	**4,496,935**	2,216,899
Less: impairment provision	**(129,477)**	(89,816)
Net	**4,367,458**	2,127,083

(b) Impairment provision of premiums receivable

(in RMB thousands)	**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

13 Reinsurance debtors

(in RMB thousands)	**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

(in RMB thousands)	**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)
Net	**23,021,065**	21,009,260

(b) Impairment provision of reinsurance debtors

(in RMB thousands)	**2017**	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

14 Investments in associates

(in RMB thousands)	**31 December 2017**	31 December 2016
Share of net assets		
— Listed shares	**14,448,703**	12,152,453
— Unlisted shares	**427,746**	298,473
Total	**14,876,449**	12,450,926

Particulars of the Group's material associates are as follows:

Name of associate	**Place of incorporation and business**	**Registered capital (RMB million)**	**Principal activities**
China Everbright Bank Company Limited ("**CEB**")	China	52,489	Commercial banking

	Proportion of ownership interest		
	Group's effective interest	**Held by the Company**	**Held by a subsidiary**
31 December 2017	4.42%	1.50%	2.92%
31 December 2016	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 RMB 7,491 million (31 December 2016: RMB 7,711 million).

15 Share capital

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

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 RMB 1.00 per share each and an issuance price of HKD 2.70 per share. This public offering had raised a total amount of RMB 13,443 million. As at 31 December 2017, a total of RMB 7,002 million was recorded in share premiums after deducting the share capital of RMB 6,072 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.

16 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 issue of the financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the accounting year ended 31 December 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[(1)]
IFRS 15	Revenue from Contracts with Customers[(1)]
IFRS 16	Leases[(2)]
IFRS 17	Insurance Contracts[(5)]
Amendment to IAS 28	Investments in associates and joint ventures [(1)]
Amendment to IAS 40	Transfers of investment property[(1)]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[(3)]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[(4)]

(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").

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.

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, the Group's material associate, 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.

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.

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.

1. Key Operating Data

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

Unit: in RMB millions, except for percentages

	For the 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[1]	**25,239**	24,457	3.2
Life and health reinsurance[1]	**44,311**	31,366	41.3
Primary P&C insurance[1]	**37,268**	32,071	16.2
Total investment income[2]	**10,700**	9,048	18.3
Total investment yield (%)[3]	**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.

	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 "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 steady market position and we continued to have the leading market share in the PRC P&C reinsurance market and life and health reinsurance market. In terms of primary premium 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 Standard & Poor's, 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 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), 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.

2. *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 31 December		
	2017	2016	Change (%)
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 (%) [1]	**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 31 December 2017	As at 31 December 2016	Change (%)
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

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%.

1. Business Analysis

(1) 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, strengthened 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.

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%
Total	**21,862**	**100.0%**	21,792	100.0%

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

Unit: in RMB millions, except for percentages

Form of cession	For the 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%
Total	**21,862**	**100.0%**	21,792	100.0%

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

Unit: in RMB millions, except for percentages

Business channel	For the 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%
Total	**21,862**	**100.0%**	21,792	100.0%

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

	For the year ended 31 December			
Line of business	**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[1]	**1,809**	**8.2%**	1,697	7.9%
Total	**21,862**	**100.0%**	21,792	100.0%

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 certain customers' demand. 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 market competition and changes in reinsurance strategy of primary insurance companies into account, 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.

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 consolidate 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.

(2) 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.

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[1]	**184**	**5.5%**	59	2.2%
Total	**3,374**	**100.0%**	2,746	100.0%

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 regions 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%
Total	**3,374**	**100.0%**	2,746	100.0%

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 advantages 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 recognized 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.

(3) 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 objects insured by CNIP are extensively located in the PRC and overseas countries with nuclear energy. Business risks are well controlled through the wide geographical diversification.

2. *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)	1900.0%
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%)

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.

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, refocus 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 ("**TWPs**") 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.

1. 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.

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

Unit: in RMB millions, except for percentages

Business lines	**For the year ended 31 December**			
	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%
Domestic in total	**40,526**	**91.7%**	25,474	81.5%
Overseas savings-type reinsurance	**3,194**	**7.2%**	5,027	16.1%
Other overseas business	**489**	**1.1%**	750	2.4%
Overseas in total	**3,683**	**8.3%**	5,777	18.5%
Total	**44,209**	**100.0%**	31,251	100.0%

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

Unit: in RMB millions, except for percentages

Universal life reinsurance	**For the year ended 31 December**			
	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%
Total	**995**	**100.0%**	3,281	100.0%

(1) *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 (i.e., "YRT" reinsurance business, is a kind of reinsurance arrangement entered into by ceding companies based on certain proportion of net amount at risk at an annual rate) reinsurance business 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 implementation 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 comprehended 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 optimized 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.

(2) *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 continued to deepen 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%.

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%
Total	**44,209**	**100.0%**	31,251	100.0%

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

Unit: in RMB millions, except for percentages

Form of cession	For the 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%
Total	**44,209**	**100.0%**	31,251	100.0%

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

Insurance product type	For the year ended 31 December **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%
Total	**44,209**	**100.0%**	31,251	100.0%

2. *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%

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.

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 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.

1. *Business Analysis*

(1) 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

Line of Business	For the year ended 31 December 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[1]	**1,362**	**3.7%**	893	2.7%
Total	**37,123**	**100.0%**	31,958	100.0%

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.

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 with a bad debt ratio of 4.81%. The risk control was at a good level.

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 engagements and marketing powers. Under the 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.

(2) 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	For the year ended 31 December			
	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%
Total	**37,123**	**100.0%**	31,958	100.0%

(3) 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

Region	For the year ended 31 December **2017** Amount	Percentage	2016 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%
Total	**37,123**	**100.0%**	31,958	100.0%

(4) 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
Combined ratio (%)	**99.9**	99.8

2. *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%)

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.

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 and development.

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.

1. 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[1]	**18,340**	**9.7%**	19,336	11.5%
Equity and investment funds	**41,062**	**21.8%**	30,092	17.9%
Investment funds[2]	**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[3]	**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%)
Total investment assets	**188,456**	**100.0%**	167,363	100.0%

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 optimized 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.

2. *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 (%)[1]	**6.01**	5.48
Net investment income	**8,260**	8,479
Net investment yield (%)[2]	**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.

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, our insurance intermediary business 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 leasing expense in 2017.

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
China Re Group			
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
Group Company			
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
China Re P&C			
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
China Re Life			
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
China Continent Insurance			
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.

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

Entities / Indicators	Group Company	China Re P&C	China Re Life	China Continent Insurance
	As at 31 December 2017			
Net assets	57,117	18,031	14,217	14,224
	For the year ended 31 December 2017			
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.

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).

Major Events

1. *Material Litigation and Arbitration*

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

2. *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.

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

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

4. *Other Major Events*

(1) 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 recognized the above investment income in the financial report for 2017 with the gain on disposal amounting to RMB732 million.

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.

(2) 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 ("**Issuance**"). On 28 March 2018, the Board considered and approved the "Proposal on China Continent Insurance Co., Ltd. Introducing Strategic Investors by Capital Increase." Please refer to the Company's announcement dated 28 March 2018 published on the websites of the Hong Kong Stock Exchange and the Company for details of the Issuance.

Prospects

1. Market Environment

Looking forward to 2018, China's macro-economy will maintain seeking progress while ensuring stability. Risk prevention, deleveraging and strict supervision will be the main guidance of macro-economic policies. As for the insurance industry, opportunities and challenges will coexist. Insurance market's competition will be further intensified, and competitive landscape will be restructured. 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 refocuse 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.

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.

2. *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 guidance focus 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 strengthen the traditionally advantageous businesses, 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 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.

Embedded Value

1. Valuation Results

The Chinese Association of Actuaries issued the implementation standards for life insurance embedded value ("**EV**") calculation ("**C-ROSS EV standards**") in November 2016, which indicated the formal implementation of EV under China risk oriented solvency system ("**C-ROSS**"). Based on those standards, we performed the China Re Group embedded value calculation as at 31 December 2017.

This section summarizes the EV and the value of one year's new business ("**1-year VNB**") results as at 31 December 2017 and the corresponding results as at prior valuation date.

Unit: in RMB millions

Valuation Date	**31 Dec 2017**	31 Dec 2016
Embedded value		
Adjusted net worth ("**ANW**")	**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 ("**CoC**")	**(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

Notes: Figures may not add up due to rounding.

2. Movement Analysis

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

Unit: 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 of 2016 in the year of 2017
5	Impact of new business	1,696	Impact of new ceded 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
10	Others	(101)	
11	Capital injection and shareholder dividend payment	(489)	Capital injection to China Re Life and China Re Life paid dividend to the Group Company
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	ANW of the Group's other business 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 Group Company by subsidiaries and dividend paid to shareholders
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	

Notes: Figures may not add up due to rounding.

3. Valuation Assumptions

The assumptions used in the EV and 1-year VNB calculations 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 primarily 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 basis on the information available 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 summarized as below.

Risk Discount Rate

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

Investment Return Rates

The following table summarizes the assumptions of investment return rates used to evaluate the value of in-force business and 1-year VNB 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 allocation of the Company, 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.

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 rate assumptions vary by product categories.

Short-term Ceded Business

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

Claim Ratio

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

Discontinuance Rates

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

Expenses

The assumptions of expenses are determined based on the 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 2.0%.

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

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.

4. Sensitivity Tests

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:

Unit: 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 contract increased by 1% on absolute basis	4,058	1,335
Combined ratio of short term reinsurance contract decreased by 1% on absolute basis	4,545	1,643

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Proposed amendments to the Articles of Association

The Board meeting of the Company held on 28 February 2018, has 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 proposed to amend the Articles of Association. The Proposed 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 relevant amendments are set out in the Company's announcement dated 28 February 2018. The existing Articles of Association shall remain valid before the Proposed Amendments are approved by the insurance regulatory authority in China. For details, please refer to the Articles of Association published on 9 March 2016 by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinare.com.cn).

FINAL DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2017 of RMB0.048 per share (tax inclusive), totaling 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 on Friday, 17 August 2018 to the shareholders of the Company and will be denominated and declared in Renminbi, while the dividend for H shares will be paid in Hong Kong dollars, which shall be calculated at the average central parity rate of Hong Kong dollars against Renminbi for the last five business days up to and including the date of the 2017 annual general meeting published by China Foreign Exchange Trading 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 solvency adequacy ratio than the regulatory requirements.

Notice of the 2017 annual general meeting will announce the date of the 2017 annual meeting of the Company and details of relevant book closure, as well as the arrangement of book closure for the final dividend.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements for the year ended 31 December 2017 of the Group were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers. The audit committee of the Company has also reviewed the audited annual results of the Company for the year ended 31 December 2017. The figures in respect of the Group's results for the year ended 31 December 2017 as set out in this annual results announcement have been agreed by the auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be dispatched to the shareholders and will be published on the website of the Company (www.chinare.com.cn) and HKExnews website of the Hong Kong Stock Exchange (www. hkexnews.hk) in due course.

DEFINITIONS

"Articles of Association"	the articles of association of our Company as adopted at our shareholders' meeting held on 26 June 2015 and approved by the CIRC on 9 July 2015 and 2 March 2016
"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
"China" or "PRC"	the People's Republic of China and, for the purpose of this results announcement and except where the context requires, references in this results announcement to "China" or the "PRC" do not include Hong Kong, Macau and Taiwan
"China Continent Insurance"	China Continent Property and Casualty Insurance Company Ltd. (中國大地財產保險股份有限公司), a subsidiary of the Company incorporated in the PRC on 15 October 2003
"China Re AMC"	China Re Asset Management Company Ltd. (中再資產管理股份有限公司), a subsidiary of the Company incorporated in the PRC on 18 February 2005
"China Re Life"	China Life Reinsurance Company Ltd. (中國人壽再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 16 December 2003
"China Re P&C"	China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司), a wholly-owned subsidiary of the Company incorporated in the PRC on 15 December 2003
"China Re Syndicate 2088"	the syndicate established at Lloyd's in December 2011 by the Company through China Re UK Limited
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"CNIP"	China Nuclear Insurance Pool

"Corporate Governance Code"	the 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
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Lloyd's"	the Society of Lloyd's, a global leading specialised P&C and liability insurance market
"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
"our Company", the "Company" or "Group Company"	China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)
"our Group", the "Group", "China Re Group" or "we"	our Company and its subsidiaries, except where the context requires
"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
"Supervisor(s)"	the supervisor(s) of the Company

On behalf of the Board
China Reinsurance (Group) Corporation
Zhu Xiaoyun
Joint company secretary

Beijing, the PRC, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Yuan Linjiang, Mr. He Chunlei and Mr. Ren Xiaobing, the non-executive Directors are Ms. Lu Xiuli and Mr. Shen Shuhai, and the independent non-executive Directors are Ms. Wang Jun, Mr. Hao Yansu, Mr. Li Sanxi and Ms. Mok Kam Sheung.