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**PICC 中国人民财产保险股份有限公司**  
**PICC Property and Casualty Company Limited**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2328)

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

The Board of Directors is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2014, with comparative figures for the previous year, as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2014*

	Notes	<u>2014</u> <i>RMB million</i>	<u>2013</u> <i>RMB million</i>
<b>TURNOVER</b>	5	<u><b>253,037</b></u>	<u>223,525</u>
Net premiums earned	5	211,169	182,546
Net claims incurred	6	(135,947)	(120,902)
Policy acquisition costs	7	(41,803)	(34,437)
Other underwriting expenses		(18,297)	(14,368)
Administrative expenses		<u>(7,831)</u>	<u>(6,879)</u>
<b>UNDERWRITING PROFIT</b>		<b>7,291</b>	5,960
Investment income	8	12,141	9,939
Net realised and unrealised gains/(losses) on investments	9	1,319	(342)
Investment related expenses		(243)	(208)
Interest expenses credited to policyholders' deposits		-	(1)
Exchange gains/(losses), net		9	(142)
Sundry income		425	401
Sundry expenses		(177)	(185)
Finance costs		(1,631)	(2,060)
Share of profits of associates		<u>307</u>	<u>77</u>
<b>PROFIT BEFORE TAX</b>	10	<b>19,441</b>	13,439
Income tax expense	11	<u>(4,326)</u>	<u>(2,881)</u>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>15,115</b></u>	<u>10,558</u>
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)</b>	12	<u><b>1.061</b></u>	(Restated) <u>0.763</u>

Details of the dividends approved for the Year are disclosed in note 13 to the announcement.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<b>31 December 2014</b>	31 December 2013
		<b><i>RMB million</i></b>	<i>RMB million</i>
<b>ASSETS</b>			
Cash and cash equivalents		24,157	16,272
Term deposits		88,236	64,373
Derivative financial assets		13	–
Debt securities		107,789	105,682
Equity securities		40,951	28,964
Insurance receivables, net	14	17,400	24,870
Tax recoverable		–	73
Reinsurance assets		25,681	26,431
Loans and receivables		21,752	12,910
Prepayments and other assets		13,500	12,534
Investments in associates		4,750	3,973
Investment properties		4,684	4,591
Property, plant and equipment		13,786	14,023
Prepaid land premiums		3,431	3,531
Deferred tax assets		–	1,197
<b>TOTAL ASSETS</b>		<b><u>366,130</u></b>	<b><u>319,424</u></b>
<b>LIABILITIES</b>			
Derivative financial liabilities		–	2
Payables to reinsurers	15	10,403	17,455
Accrued insurance protection fund		755	698
Securities sold under agreements to repurchase		14,241	18,015
Tax payables		818	–
Other liabilities and accruals		31,235	25,749
Insurance contract liabilities	16	198,137	178,486
Policyholders' deposits		1,786	1,953
Subordinated debts		22,449	19,562
Deferred tax liabilities		531	–
<b>TOTAL LIABILITIES</b>		<b><u>280,355</u></b>	<b><u>261,920</u></b>
<b>EQUITY</b>			
Issued capital		14,828	13,604
Reserves		70,942	43,895
Equity attributable to owners of the parent		85,770	57,499
Non-controlling interests		5	5
<b>TOTAL EQUITY</b>		<b><u>85,775</u></b>	<b><u>57,504</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>366,130</u></b>	<b><u>319,424</u></b>

Notes:

## **1. CORPORATE INFORMATION**

The Company is a joint stock company with limited liability incorporated in the PRC.

The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in property and casualty insurance business. The details of the operating segments are set out in note 4 to the announcement.

In the opinion of the directors, the parent and the ultimate holding company of the Company is PICC Group, which is incorporated in the PRC.

### **2.1 STATEMENTS OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

### **2.2 BASIS OF PREPARATION**

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities. These financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Changes in the Group's shareholders' interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, which is reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **3. APPLICATIONS OF NEW AND REVISED HKFRSs**

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

## Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

## Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

## Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

## HK (IFRIC) – Int 21 – Levies

HK (IFRIC) – Int 21 Levies addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The adoption of the above amendments to HKFRSs and the new interpretation has had no material impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

## **4. OPERATING SEGMENT INFORMATION**

The Group’s operating segments are presented in a manner consistent with the internal management reporting provided to the president’s office 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 eight operating and reportable segments as follows:

- (a) the motor vehicle segment provides insurance products covering motor vehicles;
- (b) the commercial property segment provides insurance products covering commercial properties;
- (c) the cargo segment provides insurance products covering vessels, crafts or conveyances;

- (d) the liability segment provides insurance products covering policyholders' liabilities;
- (e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;
- (f) the agriculture segment provides insurance products covering agriculture business;
- (g) the others segment mainly represents insurance products related to homeowners, special risks, marine hull, construction and credit; and
- (h) the corporate segment includes the income and expenses from investment activities, share of results of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on reportable segment result, in which insurance business income and expense (for segments (a) to (g)) is a measure of underwriting profit/(loss) and corporate business income and expense (for segment (h)), primarily investment related income and expense, is a measure of profit for the year excluding underwriting profit/(loss). Income tax expense is not further allocated but assigned to corporate business segment.

Insurance business assets and liabilities directly attributable to operating segments of insurance business will be allocated to each segment. Investment assets and liabilities managed on a group basis will be allocated to the corporate business segment together with tax recoverable, deferred tax assets, property, plant and equipment, investment properties, prepaid land premiums, other assets, subordinated debts, tax payables, deferred tax liabilities and other payables, which are not allocated further.

Geographical information is not presented as all of the Group's customers, operations and assets and liabilities are located in the PRC based on the operation of the relevant entities. No inter-segment transactions occurred in 2014 and 2013.

In 2014 and 2013, no direct premiums written from transactions with a single external customer amounted to 10% or more of the Group's total direct premiums written.

The segment income statements for the years ended 31 December 2014 and 2013 are as follows:

2014	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment turnover	<u>185,054</u>	<u>12,929</u>	<u>3,556</u>	<u>10,041</u>	<u>14,161</u>	<u>17,143</u>	<u>10,153</u>	-	<u>253,037</u>
Net premiums earned	164,606	7,921	2,523	7,302	11,324	12,426	5,067	-	211,169
Net claims incurred	(106,587)	(4,663)	(1,261)	(4,062)	(9,063)	(7,385)	(2,926)	-	(135,947)
Policy acquisition costs	(36,212)	(1,714)	(585)	(1,886)	(1,053)	112	(465)	-	(41,803)
Other underwriting expenses	(12,580)	(1,061)	(312)	(626)	(727)	(2,250)	(741)	-	(18,297)
Administrative expenses	(5,437)	(311)	(130)	(261)	(430)	(827)	(435)	-	(7,831)
Underwriting profit	<u>3,790</u>	<u>172</u>	<u>235</u>	<u>467</u>	<u>51</u>	<u>2,076</u>	<u>500</u>	-	<u>7,291</u>
Investment income	-	-	-	-	-	-	-	12,141	12,141
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	1,319	1,319
Investment related expenses	-	-	-	-	-	-	-	(243)	(243)
Exchange gains, net	-	-	-	-	-	-	-	9	9
Finance costs	-	-	-	-	-	-	-	(1,631)	(1,631)
Sundry income and expenses, net	-	-	-	-	-	-	-	248	248
Share of profits of associates	-	-	-	-	-	-	-	307	307
Profit before tax	<u>3,790</u>	<u>172</u>	<u>235</u>	<u>467</u>	<u>51</u>	<u>2,076</u>	<u>500</u>	<u>12,150</u>	<u>19,441</u>
Income tax expense	-	-	-	-	-	-	-	(4,326)	(4,326)
Profit attributable to owners of the parent	<u>3,790</u>	<u>172</u>	<u>235</u>	<u>467</u>	<u>51</u>	<u>2,076</u>	<u>500</u>	<u>7,824</u>	<u>15,115</u>



2013	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment turnover	163,276	12,581	3,664	8,446	9,934	16,566	9,058	–	223,525
Net premiums earned	141,810	7,818	2,474	6,189	7,520	12,313	4,422	–	182,546
Net claims incurred	(94,486)	(5,734)	(1,006)	(3,343)	(5,441)	(8,293)	(2,599)	–	(120,902)
Policy acquisition costs	(28,598)	(2,152)	(627)	(1,418)	(1,443)	(454)	255	–	(34,437)
Other underwriting expenses	(10,585)	(526)	11	(470)	29	(1,677)	(1,150)	–	(14,368)
Administrative expenses	(5,072)	(323)	(39)	(262)	(357)	(492)	(334)	–	(6,879)
Underwriting profit/(loss)	3,069	(917)	813	696	308	1,397	594	–	5,960
Investment income	–	–	–	–	–	–	–	9,939	9,939
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(342)	(342)
Investment related expenses	–	–	–	–	–	–	–	(208)	(208)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	–	(1)	–	(1)
Exchange losses, net	–	–	–	–	–	–	–	(142)	(142)
Finance costs	–	–	–	–	–	–	–	(2,060)	(2,060)
Sundry income and expenses, net	–	–	–	–	–	–	–	216	216
Share of profits of associates	–	–	–	–	–	–	–	77	77
Profit/(loss) before tax	3,069	(917)	813	696	308	1,397	593	7,480	13,439
Income tax expense	–	–	–	–	–	–	–	(2,881)	(2,881)
Profit/(loss) attributable to owners of the parent	3,069	(917)	813	696	308	1,397	593	4,599	10,558

The segment assets, liabilities and other segment information of the Group as at 31 December 2014 and 2013 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
31 December 2014									
Segment assets	<u>12,258</u>	<u>8,719</u>	<u>1,341</u>	<u>3,931</u>	<u>3,929</u>	<u>4,798</u>	<u>11,202</u>	<u>319,952</u>	<u>366,130</u>
Segment liabilities	<u>157,665</u>	<u>14,452</u>	<u>3,037</u>	<u>11,756</u>	<u>9,548</u>	<u>10,128</u>	<u>16,918</u>	<u>56,851</u>	<u>280,355</u>
Other segment information:									
Depreciation and amortisation	1,851	126	35	100	142	172	99	–	2,525
Impairment losses on insurance receivables	23	(14)	9	16	22	292	169	–	517
Interest income	–	–	–	–	–	–	–	10,823	10,823
Capital expenditures	–	–	–	–	–	–	–	1,860	1,860
	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
31 December 2013									
Segment assets	<u>19,988</u>	<u>11,145</u>	<u>1,601</u>	<u>3,483</u>	<u>3,344</u>	<u>4,813</u>	<u>10,414</u>	<u>264,636</u>	<u>319,424</u>
Segment liabilities	<u>145,475</u>	<u>16,229</u>	<u>3,142</u>	<u>10,452</u>	<u>7,349</u>	<u>10,106</u>	<u>16,651</u>	<u>52,516</u>	<u>261,920</u>
Other segment information:									
Depreciation and amortisation	1,518	114	34	78	92	154	83	–	2,073
Impairment losses on insurance receivables	13	5	(81)	41	58	51	101	–	188
Interest income	–	–	–	–	–	–	–	8,755	8,755
Capital expenditures	–	–	–	–	–	–	–	1,847	1,847

## 5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
<u>Turnover</u>		
Direct premiums written	252,419	223,005
Reinsurance premiums assumed	618	520
	<u>253,037</u>	<u>223,525</u>
<u>Net premiums earned</u>		
Turnover	253,037	223,525
Less: Reinsurance premiums ceded	(31,279)	(31,769)
Net premiums written	<u>221,758</u>	<u>191,756</u>
Gross change in unearned premium reserves	(9,043)	(10,961)
Less: Reinsurer's share of change in unearned premium reserves	(1,546)	1,751
Net change in unearned premium reserves	<u>(10,589)</u>	<u>(9,210)</u>
Net premiums earned	<u>211,169</u>	<u>182,546</u>

## 6. NET CLAIMS INCURRED

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Gross claims paid	144,685	133,197
Less: Paid losses recoverable from reinsurers	(18,550)	(18,248)
Net claims paid	<u>126,135</u>	<u>114,949</u>
Gross change in loss and loss adjustment expense reserves	10,608	7,996
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	(796)	(2,043)
Net change in loss and loss adjustment expense reserves	<u>9,812</u>	<u>5,953</u>
Net claims incurred	<u>135,947</u>	<u>120,902</u>

## 7. POLICY ACQUISITION COSTS

	Group	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Commission expenses	23,368	19,139
Less: Reinsurance commission income	(9,950)	(9,366)
Underwriting personnel expenses	12,837	10,835
Business tax and surcharges	12,468	11,066
Insurance protection fund	2,021	1,784
Others	1,059	979
	<b>41,803</b>	<b>34,437</b>

## 8. INVESTMENT INCOME

	Group	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Rental income from investment properties	210	205
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	62	23
Dividend income	150	71
– Designated upon initial recognition		
Interest income	8	18
Available-for-sale financial assets:		
Interest income	3,002	2,586
Dividend income	958	908
Held-to-maturity investments:		
Interest income	2,049	1,958
Loans and receivables:		
Interest income	5,702	4,170
	<b>12,141</b>	<b>9,939</b>
Investment income from listed investments:		
Interest income	1,035	675
Dividend income	575	546
	<b>1,610</b>	<b>1,221</b>
Investment income from unlisted investments:		
Interest income	9,788	8,080
Dividend income	533	433
	<b>10,321</b>	<b>8,513</b>
TOTAL	<b>11,931</b>	<b>9,734</b>

## 9. NET REALISED AND UNREALISED GAINS/(LOSSES) ON INVESTMENTS

	Group	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Available-for-sale financial assets:		
Realised gains	1,422	802
Impairment losses	(502)	(1,344)
Financial assets at fair value through profit or loss – held for trading:		
Realised gains	36	32
Unrealised gains/(losses)	299	(19)
Financial assets classified as held for sale:		
Realised gains	–	37
Fair value gains on investment properties	64	150
	<b>1,319</b>	<b>(342)</b>

## 10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Depreciation of property, plant and equipment	2,219	1,744
Amortisation of prepaid land premiums	133	130
Employee expenses (including directors' and supervisors' remuneration):		
Wages, salaries and staff welfare	22,342	18,485
Pension scheme contributions	2,002	1,718
Impairment losses on insurance receivables ( <i>note 14</i> )	517	188
Minimum lease payments under operating leases in respect of land and buildings	701	636
Net gain on disposal of items of property, plant and equipment	(34)	(21)
Auditors' remuneration	14	15

## 11. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2013: 25%) in accordance with the relevant PRC income tax rules and regulations.

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Current		
– Charge for the year	5,412	2,822
– Adjustments in prior years	–	1
Deferred	<b>(1,086)</b>	58
Total tax charge for the year	<b>4,326</b>	2,881

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the PRC, in which the Group is domiciled, to the tax expense at the effective tax rate is as follows:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<b>19,441</b>	13,439
Tax at the statutory tax rate of 25% (2013: 25%)	4,860	3,360
Income not subject to tax	(646)	(610)
Expenses not deductible for tax	112	130
Adjustments in respect of current tax of previous periods	–	1
Tax charge at the Group's effective tax rate	<b>4,326</b>	2,881

## 12. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share is based on the following:

	<u>2014</u>	<u>2013</u> (Restated)
Earnings:		
Profit attributable to owners of the parent (RMB million)	<u>15,115</u>	<u>10,558</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>14,249</u>	<u>13,830</u>
Basic earnings per share (RMB)	<u><u>1.061</u></u>	<u><u>0.763</u></u>

Basic earnings per share was calculated as the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares in issue during the year and the comparative period were adjusted to reflect the effect of the rights issues in 2014.

Diluted earnings per share amounts for the years ended 31 December 2014 and 2013 have not been disclosed as there were no potential ordinary shares outstanding during these years.

## 13. DIVIDEND

	<u>2014</u> <i>RMB million</i>	<u>2013</u> <i>RMB million</i>
Dividends recognised as distribution during the year:		
2013 interim dividend – RMB0.243 per ordinary share	–	3,306
2013 final dividend – RMB0.221 per ordinary share	<u>3,007</u>	<u>–</u>

No interim dividend was proposed by the Board of Directors during the year. On 26 August 2013, the Board of Directors of the Company approved the 2013 interim dividend distribution of RMB0.243 per ordinary share totalling RMB3,306 million.

Subsequent to the end of the reporting period, on 27 March 2015, final dividend in respect of the year ended 31 December 2014 of RMB0.270 per ordinary share (2013: RMB0.221 per ordinary share) has been proposed by the Board of Directors of the Company and is subject to the approval of the Company's shareholders at the forthcoming general meeting.

#### 14. INSURANCE RECEIVABLES, NET

	<b>Group and Company</b>	
	<b>31 December 2014</b>	31 December 2013
	<i>RMB million</i>	<i>RMB million</i>
Premiums receivable and agents' balances	7,490	6,752
Receivables from reinsurers	12,600	20,431
	<b>20,090</b>	27,183
Less: Impairment provision on:		
Premiums receivable and agents' balances	(2,450)	(2,123)
Receivables from reinsurers	(240)	(190)
	<b>17,400</b>	24,870

An aged analysis of insurance receivables as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

	<b>Group and Company</b>	
	<b>31 December 2014</b>	31 December 2013
	<i>RMB million</i>	<i>RMB million</i>
Not yet due	13,599	18,981
Within 1 month	691	1,284
1 to 3 months	1,397	2,740
Over 3 months	1,713	1,865
	<b>17,400</b>	24,870

The movements in the provision for impairment of insurance receivables are as follows:

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<i>RMB million</i>	<i>RMB million</i>
At 1 January	2,313	2,415
Impairment losses recognised ( <i>note 10</i> )	517	188
Amount written off as uncollectible	(140)	(290)
At 31 December	<b>2,690</b>	2,313

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB135 million (31 December 2013: RMB272 million).



## 15. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	<b>Group and Company</b>	
	<b>31 December 2014</b>	31 December 2013
	<i>RMB million</i>	<i>RMB million</i>
Reinsurance payables	<b>10,403</b>	17,455

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB150 million (31 December 2013: RMB262 million).

## 16. INSURANCE CONTRACT LIABILITIES

	<b>Group and Company</b>	
	<b>31 December 2014</b>	31 December 2013
	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	<b>95,638</b>	86,595
Loss and loss adjustment expense reserves	<b>102,499</b>	91,891
	<b>198,137</b>	178,486

The movements in insurance contract liabilities and their corresponding reinsurance assets are set out below:

Group and Company	2014			2013		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
<b>Unearned premium reserves</b>						
At 1 January	86,595	(11,138)	75,457	75,634	(9,387)	66,247
Increase during the year	201,535	(21,540)	179,995	179,019	(22,404)	156,615
Release during the year	(192,492)	23,086	(169,406)	(168,058)	20,653	(147,405)
At 31 December	<u>95,638</u>	<u>(9,592)</u>	<u>86,046</u>	<u>86,595</u>	<u>(11,138)</u>	<u>75,457</u>
<b>Loss and loss adjustment expense reserves</b>						
At 1 January	91,891	(15,293)	76,598	83,895	(13,250)	70,645
Increase during the year	155,293	(19,346)	135,947	141,193	(20,291)	120,902
Release during the year	(144,685)	18,550	(126,135)	(133,197)	18,248	(114,949)
At 31 December	<u>102,499</u>	<u>(16,089)</u>	<u>86,410</u>	<u>91,891</u>	<u>(15,293)</u>	<u>76,598</u>
<b>Total insurance contract liabilities</b>	<u>198,137</u>	<u>(25,681)</u>	<u>172,456</u>	<u>178,486</u>	<u>(26,431)</u>	<u>152,055</u>

# MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

## OVERVIEW

In 2014, China's economic development entered into a "new normal", featuring "medium-to-high speed, upgraded structure, new dynamics and multiple challenges". Confronted with complex situations marked by a reduced economic growth rate and increasingly intense market competition, the Company increased its efforts in reform and innovation, strengthened construction at the basic level, enhanced its risk control and consolidated its foundation for development, thus achieving steady growth in business and capital strength and recording another historic high in its operating results.

- **More steady business growth and maintaining market-leading position.** In 2014, the turnover of the Company and its subsidiaries reached RMB253,037 million, representing a year-on-year increase of 13.2% and achieved a market share of 33.5% (*Note*) in the property insurance market of the PRC, which continued to remain stable. The premium income of seven provincial branches of the Company for the year respectively exceeded RMB10 billion, in particular, the premium income of the Jiangsu Provincial Branch for the year broke through RMB20 billion. Turnover of the motor vehicle insurance segment amounted to RMB185,054 million, representing a year-on-year increase of 13.3%; turnover of the non-motor insurance business amounted to RMB67,983 million, representing a year-on-year increase of 12.8%.
- **Further strengthened profitability and continued improvement of business quality.** In 2014, the combined ratio of the Company and its subsidiaries was 96.5%, representing a decrease of 0.2 percentage points. Underwriting profit was RMB7,291 million, representing a year-on-year increase of 22.3%, while total investment income reached RMB13,767 million, representing a year-on-year increase of 42.3%, forming a positive profitable interaction between underwriting and investment. Profit attributable to owners of the parent was RMB15,115 million, representing a new record in operating results; the return on equity ratio was 21.1%, representing a year-on-year increase of 0.6 percentage points, thus maintaining the industry leading position.
- **Increasing excellence of internal quality and steady enhancement of capital strength.** As at the end of 2014, the total assets of the Company and its subsidiaries reached RMB366,130 million, representing an increase of 14.6% compared to the end of 2013. The shareholders' equity totalled RMB85,775 million, representing an increase of 49.2% compared to the end of 2013. The total amount of investment assets grew steadily, reaching RMB295,128 million. The solvency margin ratio was 239%, representing a remarkable increase of 59 percentage points compared to the end of 2013, continuously maintaining a level II solvency adequacy. With the steady enhancement of capital strength, the Company has been rated A1 rating by Moody's, the highest financial strength rating available to non-policy guided financial institutions in mainland China, for seven successive years. The share price of the Company continued to outperform the market, and the Company was included in the "Top 100 Comprehensive Strengths" in Hong Kong-listed companies for three successive years.

- **More outstanding service capabilities and continuously increasing of brand reputation.** In 2014, the insured amount of the Company and its subsidiaries was RMB206.6 trillion in aggregate, equivalent to approximately 3.25 times of the GDP during the same period. The Company and its subsidiaries processed 25,707,400 claims of all types and paid aggregate claims of RMB137,852 million. Customer satisfaction was continuously enhanced as evidenced by a number of honours awarded to the Company, including “2014 Most Trusted Property Insurance Company of the year”, “2014 Property Insurance Company with Superior Competitiveness”, “Outstanding Chinese Enterprise in Social Responsibility”, “2014 China Most Admired Knowledge Enterprise” and “2014 Top 10 China Best Employers”.

*Note:* Calculated based on the PRC insurance industry data for 2014 published on the website of the CIRC.

Faced with the complex and changing market, the Company confirmed its direction for transformation and upgrading, intensified its efforts on process management, continuously improved its development capabilities and profitability, and remarkably upgraded its service capabilities.

**(I) By strengthening market benchmarking and taking advantage of competition situation, development capabilities were continuously enhanced**

Persistently guided by the market, the Company took advantage of the market competition situation, seized opportunities for development and enhanced its sales capabilities, thereby effectively consolidating its leading position in the market. The Company intensified its efforts on the integration of tele-marketing and online sales channels and achieved a milestone development in its e-commerce business, securing its position as the largest insurer in the industry in terms of premium income. Its motor vehicle insurance business achieved steady growth with the implementation of internet-based strategic planning and the wider application of the telematics technologies. Its non-motor insurance business also achieved a new breakthrough in its development, recording the highest growth rate in recent years; the premium income of the accidental injury and health insurance and the liability insurance for the year both exceeded RMB10 billion. The policy-supported business also showed a stable trend with signs of growth, and due to the increasing efforts in urban and rural networks construction, the agriculture insurance business continued to maintain a leading market position; the critical illness insurance business also exhibited strong growth with services covering 27 provinces, 143 cities/areas and approximately 719 counties/districts, with the number of persons insured reaching 238 million; the catastrophe insurance pilot projects led by Shenzhen and Ningbo branches were officially launched.

**(II) By upholding cost-leadership strategy and reinforcing structural adjustment and risk control, profitability was continuously improved**

The Company insisted on implementing the cost-leadership strategy. By optimising allocation of resources and strengthening the process control for renewal, transferred-in business and new policies, the ability to obtain high quality business was further enhanced; by strengthening comprehensive budget management and tightening cost control, the value creation ability was continuously increased; through comprehensive improvement of claim settlement, improving medical tracking system, personal injury management model and bargaining power of obtaining favourable prices for spare parts and hourly labor costs, losses incurred in the claim settlement were further reduced. The Company speeded up the informationalisation construction of risk management and initially built up an integrated risk management platform supported by IT systems to ensure strengthened internal controls and stable operation.

**(III) By enhancing customer information management and upgrading services, service capabilities were significantly elevated**

The Company insisted on its customer-oriented philosophy, strengthened its customer information management, innovated its customer services, and enhanced its assessment and evaluation of service performance and construction of standardised services, thus further improving its service quality management system. Through materialisation of a “comprehensive, fast, good and economical” claim service, offering of “quick claim in bilateral accidents” services when both parties involved in the accident were motor vehicle insurance customers of the Company, integrating the non-motor insurance claim resources, building up claim settlement expert teams and pushing forward the claim assistance system, the Company significantly improved its customer experience and continuously increased its customer retention ability.

## UNDERWRITING RESULTS

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net premiums earned for the relevant periods:

	Year ended 31 December			
	2014		2013	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net premiums earned	<b>211,169</b>	<b>100.0</b>	182,546	100.0
Net claims incurred	<b>(135,947)</b>	<b>(64.4)</b>	(120,902)	(66.2)
Total expenses	<b>(67,931)</b>	<b>(32.1)</b>	(55,684)	(30.5)
Underwriting profit	<b><u>7,291</u></b>	<b><u>3.5</u></b>	<b><u>5,960</u></b>	<b><u>3.3</u></b>

## TURNOVER

The following table sets forth the turnover of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	<b>185,054</b>	163,276
Commercial property insurance	<b>12,929</b>	12,581
Accidental injury and health insurance	<b>14,161</b>	9,934
Liability insurance	<b>10,041</b>	8,446
Cargo insurance	<b>3,556</b>	3,664
Agriculture insurance	<b>17,143</b>	16,566
Other insurance	<b>10,153</b>	9,058
Total	<b><u>253,037</u></b>	<b><u>223,525</u></b>

The following table sets forth a breakdown of the direct premiums written by the Company and its subsidiaries by distribution channels for the relevant periods:

	Year ended 31 December			
	2014		2013	
	Amount <i>RMB million</i>	Percentage %	Amount <i>RMB million</i>	Percentage %
Insurance agents	145,095	57.5	133,962	60.0
Among which:				
Individual insurance agents	77,395	30.7	72,835	32.6
Ancillary insurance agents	52,012	20.6	49,505	22.2
Professional insurance agents	15,688	6.2	11,622	5.2
Direct sales	93,421	37.0	76,843	34.5
Insurance brokers	13,903	5.5	12,200	5.5
Total	<b>252,419</b>	<b>100.0</b>	223,005	100.0

Turnover of the Company and its subsidiaries was RMB253,037 million in 2014, representing an increase of RMB29,512 million (or 13.2%) from RMB223,525 million in 2013. The overall steady business growth was largely driven by the development of the motor vehicle insurance, accidental injury and health insurance and liability insurance business. Amongst these segments:

Turnover of the motor vehicle insurance segment was RMB185,054 million, representing an increase of RMB21,778 million (or 13.3%) from RMB163,276 million in 2013. With the continuous sluggish sales in the domestic motor vehicle market in 2014, the Company proactively explored new motor vehicle insurance market and deepened the exploration of business opportunities in the renewed and transferred-in business of existing policies; with the premium income from renewed and transferred-in business increasing faster than that of the overall motor vehicle insurance business and with the average premium income of motor vehicle insurance business basically remaining stable, the underwriting amount of the Company achieved stable growth.

Turnover of the commercial property insurance segment was RMB12,929 million, representing an increase of RMB348 million (or 2.8%) from RMB12,581 million in 2013, at a growth rate faster than that of the commercial property insurance market over the same period. The Company proactively coped with the sluggish market environment by implementing a policy-based method of management and proactively developing overseas business and achieved a steady growth of the average premiums per policy.

Turnover of the accidental injury and health insurance segment was RMB14,161 million, representing an increase of RMB4,227 million (or 42.6%) from RMB9,934 million in 2013. In 2014, the Company implemented the development strategy of “specialisation for group insurance business and channelisation for individual business” for its accidental injury insurance, adjusted and optimised its business structure on the precondition of overall business development, and achieved steady development in the accidental injury insurance in relation to school students and young children, motor vehicle drivers and passengers and borrowers, which had relatively better profitability. Meanwhile, the Company continued to maintain a rapid growth in the critical illness insurance business and achieved a stable increase in market share of the health insurance business.

Turnover of the liability insurance segment was RMB10,041 million, representing an increase of RMB1,595 million (or 18.9%) from RMB8,446 million in 2013. In 2014, the government continued to deepen the social management functions of the liability insurance system and consecutively promulgated regulations and policies such as the Environmental Protection Law, the Work Safety Law, the Opinion regarding the Strengthening of the Work relating to Medical Liability Insurance and the Notice regarding the Commencement of the Work relating to Product Quality and Safety Liability Insurance. By taking advantage of such opportunities, the Company, through deepened business cooperation and strengthened business promotion and training, achieved relatively rapid growth in public liability, employer’s liability, work safety, medical and product liability insurances.

Impacted by the global economic trend, the premium rate of cargo insurance business decreased. Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB3,556 million, representing a decrease of RMB108 million (or -2.9%) from RMB3,664 million in 2013.

Coverage of the Company’s agriculture insurance business basically extended to the whole country and the agriculture insurance business entered into a stable development stage. Turnover of the agriculture insurance segment was RMB17,143 million in 2014, representing an increase of RMB577 million (or 3.5%) from RMB16,566 million in 2013.

Turnover of the other insurance segment was RMB10,153 million, representing an increase of RMB1,095 million (or 12.1%) from RMB9,058 million in 2013. Benefiting from the national infrastructure construction plans, the Company achieved relatively rapid growth in its construction insurance business in 2014. Meanwhile, the Company made great efforts in developing short-term export credit insurance, loan loss credit insurance and loan surety insurance for financial institutions on the basis of controllable risks, thus achieving relatively rapid growth in the turnover of the credit and surety insurance business.



## NET PREMIUMS EARNED

The following table sets forth the net premiums earned of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	164,606	141,810
Commercial property insurance	7,921	7,818
Accidental injury and health insurance	11,324	7,520
Liability insurance	7,302	6,189
Cargo insurance	2,523	2,474
Agriculture insurance	12,426	12,313
Other insurance	5,067	4,422
Total	<b>211,169</b>	<b>182,546</b>

Net premiums earned of the Company and its subsidiaries were RMB211,169 million in 2014, representing an increase of RMB28,623 million (or 15.7%) from RMB182,546 million in 2013.

## NET CLAIMS INCURRED

The following table sets forth the net claims incurred of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the “loss ratio”) for the relevant periods:

	Year ended 31 December			
	2014		2013	
	Net claims incurred <i>RMB million</i>	Loss ratio %	Net claims incurred <i>RMB million</i>	Loss ratio %
Motor vehicle insurance	(106,587)	(64.8)	(94,486)	(66.6)
Commercial property insurance	(4,663)	(58.9)	(5,734)	(73.3)
Accidental injury and health insurance	(9,063)	(80.0)	(5,441)	(72.4)
Liability insurance	(4,062)	(55.6)	(3,343)	(54.0)
Cargo insurance	(1,261)	(50.0)	(1,006)	(40.7)
Agriculture insurance	(7,385)	(59.4)	(8,293)	(67.4)
Other insurance	(2,926)	(57.7)	(2,599)	(58.8)
Total	<b>(135,947)</b>	<b>(64.4)</b>	<b>(120,902)</b>	<b>(66.2)</b>

Net claims incurred of the Company and its subsidiaries in 2014 were RMB135,947 million, representing an increase of RMB15,045 million (or 12.4%) from RMB120,902 million in 2013. The loss ratio was 64.4% in 2014, decreased by 1.8 percentage points from 66.2% in 2013. Amongst these segments:

Net claims incurred of the motor vehicle insurance segment were RMB106,587 million, representing an increase of RMB12,101 million (or 12.8%) from RMB94,486 million in 2013. The loss ratio decreased by 1.8 percentage points from 66.6% in 2013 to 64.8% in 2014. In 2014, the Company continuously strengthened its control and management of underwriting, and significantly improved its underwriting quality; in addition, the Company further reinforced its management of personal injury compensation, spare parts, man hours as well as cost management and control of repair shops and 4S shops. As a result of various measures, the loss ratio of motor vehicle insurance segment decreased relatively on a year-on-year basis.

In 2014, due to a decrease to some extent in both frequencies of natural catastrophes and number of major claim cases compared to last year, net claims incurred of the commercial property insurance segment were RMB4,663 million, representing a decrease of RMB1,071 million (or -18.7%) from RMB5,734 million in 2013. The loss ratio decreased by 14.4 percentage points from 73.3% in 2013 to 58.9% in 2014.

Net claims incurred of the accidental injury and health insurance segment were RMB9,063 million, representing an increase of RMB3,622 million (or 66.6%) from RMB5,441 million in 2013. The loss ratio increased by 7.6 percentage points from 72.4% in 2013 to 80.0% in 2014. In 2014, due to the fully launch of the Company's critical illness insurance business, the underwriting terms of which provided wider coverage and higher protection, the overall loss ratio of the accidental injury and health insurance segment increased.

In 2014, due to the increase of personal injury compensation standards, the claim amount of personal injury liability insurance increased. Net claims incurred of the liability insurance segment were RMB4,062 million, representing an increase of RMB719 million (or 21.5%) from RMB3,343 million in 2013. The loss ratio increased by 1.6 percentage points from 54.0% in 2013 to 55.6% in 2014.

In 2014, the claim ratios of open cargo insurance, domestic cargo insurance and import cargo insurance increased, with significant growth in the number of cases with a claim amount of over RMB1 million. Net claims incurred of the cargo insurance segment were RMB1,261 million, representing an increase of RMB255 million (or 25.3%) from RMB1,006 million in 2013. The loss ratio increased by 9.3 percentage points from 40.7% in 2013 to 50.0% in 2014.

Net claims incurred of the agriculture insurance segment were RMB7,385 million, representing a decrease of RMB908 million (or -10.9%) from RMB8,293 million in 2013. The loss ratio decreased by 8.0 percentage points from 67.4% in 2013 to 59.4% in 2014. On the one hand, there were no nationwide large-scale natural disasters in 2014 and with the regional coverage of agriculture insurance of the Company extending to all provinces in China, underwriting risks were effectively diversified geographically. On the other hand, the Company continuously optimised its agriculture insurance business structure, strengthened its management and control of underwriting and claims verification, thus improving the underwriting quality.

## TOTAL EXPENSES

The following table sets forth the total expenses of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the “expense ratio”) for the relevant periods:

	Year ended 31 December			
	2014		2013	
	Total expenses <i>RMB million</i>	Expense ratio %	Total expenses <i>RMB million</i>	Expense ratio %
Motor vehicle insurance	(54,229)	(32.9)	(44,255)	(31.2)
Commercial property insurance	(3,086)	(39.0)	(3,001)	(38.4)
Accidental injury and health insurance	(2,210)	(19.5)	(1,771)	(23.6)
Liability insurance	(2,773)	(38.0)	(2,150)	(34.7)
Cargo insurance	(1,027)	(40.7)	(655)	(26.5)
Agriculture insurance	(2,965)	(23.9)	(2,623)	(21.3)
Other insurance	(1,641)	(32.4)	(1,229)	(27.8)
<b>Total</b>	<b>(67,931)</b>	<b>(32.1)</b>	<b>(55,684)</b>	<b>(30.5)</b>

Total expenses of the Company and its subsidiaries were RMB67,931 million in 2014, increased by RMB12,247 million from RMB55,684 million in 2013, with the expense ratio increasing by 1.6 percentage points from 30.5% in 2013 to 32.1% in 2014. The Company took initiatives to implement the relevant requirements under the “eight-point code” of the central government, thoroughly advocated thrift practice among its headquarters and branches, implemented a cost-leadership strategy, refined the cost and expense management and control rules, and fully exerted the advantages of centralised procurement, thereby significantly improving its cost management and control capability, achieving an administrative expense ratio of 3.7%, a decrease of 0.1 percentage point as compared to last year. Meanwhile, the Company continued with the further implementation of its refined marketing strategies, intensified its efforts in the differentiated allocation of sales expenses, vigorously pushed forward the construction of the sales network system, improved its capability to procure quality business, all of which resulted in an underwriting expense ratio of 28.4%, representing a year-on-year increase of 1.7 percentage points, which was at a relatively low level in the market.

## UNDERWRITING PROFIT

The following table sets forth the underwriting profit/(loss) of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the “underwriting profit/(loss) ratio”) for the relevant periods:

	Year ended 31 December			
	2014		2013	
	Underwriting profit <i>RMB million</i>	Underwriting profit ratio %	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %
Motor vehicle insurance	3,790	2.3	3,069	2.2
Commercial property insurance	172	2.1	(917)	(11.7)
Accidental injury and health insurance	51	0.5	308	4.0
Liability insurance	467	6.4	696	11.3
Cargo insurance	235	9.3	813	32.8
Agriculture insurance	2,076	16.7	1,397	11.3
Other insurance	500	9.9	594	13.4
Total	<b>7,291</b>	<b>3.5</b>	<b>5,960</b>	<b>3.3</b>

The Company and its subsidiaries recorded an underwriting profit of RMB7,291 million in 2014, representing an increase of RMB1,331 million (or 22.3%) from RMB5,960 million in 2013; the underwriting profit ratio was 3.5%, representing an increase of 0.2 percentage points from 3.3% in 2013.

## INVESTMENT RESULTS

### Composition of Investment Assets

The following table sets forth the composition of investment assets of the Company and its subsidiaries as at the following dates:

	31 December 2014		31 December 2013	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	24,157	8.2	16,272	6.8
Term deposits	88,236	29.9	64,373	26.9
Debt securities	107,789	36.5	105,682	44.1
Equity securities	40,951	13.9	28,964	12.1
Loans and receivables	21,752	7.4	12,910	5.4
Investment properties	4,684	1.6	4,591	1.9
Investment in associates	4,750	1.6	3,973	1.7
Other investment assets ( <i>Note</i> )	2,809	0.9	2,725	1.1
Total investment assets	<b>295,128</b>	<b>100.0</b>	239,490	100.0

*Note:* Other investment assets mainly included derivative financial assets and capital security fund.

In 2014, the Company achieved steady growth in the underwriting business, which provided stable cash flow support for the investment business. As at the end of the reporting period, the investment assets increased by RMB55,638 million (or 23.2%) on a year-on-year basis. While increasing the overall size of the investment assets, and based on the operational conditions of the money market and the capital market as well as its own risk preferences, the Company timely adjusted its investment product mix, improved the quality of its investment portfolio and achieved a balance between profit earning and risk taking.

In 2014, the Company increased its allocations in negotiated deposits, high credit rating and high quality debt investment schemes, asset management products and asset-backed securities, and benefited from the boom in the domestic capital market, thus recorded a considerable increase in the total investment income.

## Investment Income

The following table sets forth the investment income of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Rental income from investment properties	210	205
Interest income	10,823	8,755
Dividend income	1,108	979
Total of investment income	<u>12,141</u>	<u>9,939</u>

Investment income of the Company and its subsidiaries was RMB12,141 million in 2014, representing an increase of RMB2,202 million (or 22.2%) from RMB9,939 million in 2013. The Company adopted a prudent and sound investment strategy and increased its allocations in negotiated deposits, debt investment schemes, asset management products and asset-backed securities, which offered stable return, and its interest income increased by RMB2,068 million (or 23.6%) on a year-on-year basis. In 2014, with increase in the level of dividend distributions of listed companies, dividend income increased by RMB129 million (or 13.2%) compared to last year.

## Net Realised and Unrealised Gains/(Losses) on Investments

The following table sets forth the net realised and unrealised gains/(losses) on investments of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Realised gains on investments	1,458	871
Unrealised gains/(losses) on investments	299	(19)
Impairment losses	(502)	(1,344)
Fair value gains on investment properties	64	150
Total of net realised and unrealised gains/(losses) on investments	<u>1,319</u>	<u>(342)</u>

In 2014, the Company actively seized the operating opportunities in the market and further optimised the structure of its equity investment portfolios, and the realised gains on investments increased by RMB587 million (or 67.4%) on a year-on-year basis. Meanwhile, as the fair value of bond funds increased resulting from fluctuations in interest rates in the bonds market, the unrealised gains on investments for the Year were RMB299 million.

## OVERALL RESULTS

The following table sets forth the overall results of the Company and its subsidiaries for the relevant periods or as at the relevant dates:

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<b>19,441</b>	13,439
Income tax expense	<b>(4,326)</b>	(2,881)
Profit attributable to owners of the parent	<b>15,115</b>	10,558
Total assets ( <i>Note</i> )	<b>366,130</b>	319,424

*Note:* Based on the data as at 31 December 2014 and 31 December 2013.

## PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB19,441 million in 2014, representing an increase of RMB6,002 million (or 44.7%) from RMB13,439 million in 2013.

## INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB4,326 million in 2014, representing an increase of RMB1,445 million from RMB2,881 million in 2013.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was a stable increase in the overall profit of the Company and its subsidiaries in 2014, and the profit attributable to owners of the parent increased by RMB4,557 million (or 43.2%) from RMB10,558 million in 2013 to RMB15,115 million in 2014. Basic earnings per share attributable to owners of the parent in 2014 was RMB1.061.

## CASH FLOW

The following table sets forth the cash flow of the Company and its subsidiaries for the relevant periods:

	Year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	<b>31,467</b>	21,409
Net cash flows used in investing activities	<b>(25,140)</b>	(13,517)
Net cash flows from/(used in) financing activities	<b>1,558</b>	(4,510)
Net increase in cash and cash equivalents	<b>7,885</b>	3,382

In 2014, the net cash flows from operating activities of the Company and its subsidiaries amounted to RMB31,467 million, representing an increase of RMB10,058 million from RMB21,409 million in 2013. In 2014, by emphasising the process management and control of premiums receivable while maintaining business growth, the Company recorded a significant increase in the incremental premiums received and a steady growth in its underwriting profit.

In 2014, the net cash flows used in investing activities of the Company and its subsidiaries were RMB25,140 million, representing an increase of RMB11,623 million from RMB13,517 million in 2013. In particular, the net cash flows used in bank deposits with a maturity of more than three months increased by RMB15,668 million on a year-on-year basis.

In 2014, the net cash flows from financing activities of the Company and its subsidiaries were RMB1,558 million, while in 2013, the net cash flows used in financing activities were RMB4,510 million. In 2014, the net capital raised by the Company through a rights issue and subordinated term debts was RMB7,220 million and RMB3,000 million, respectively; while in 2013, the net capital raised by the Company through a rights issue was RMB5,754 million.

As at 31 December 2014, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB24,157 million.

## LIQUIDITY

The cash flow of the Company and its subsidiaries is primarily derived from cash generated from operating activities, which is principally insurance premiums received. Additional liquidity sources include interest and dividend incomes, proceeds from matured investments, disposal of assets and financing activities. The liquidity requirements of the Company and its subsidiaries consist principally of the payment of claims and performance of other obligations under outstanding insurance policies, capital expenditures, operating expenses, tax payments, dividend payments and investment needs.



In October 2014, June 2011, June 2010 and December 2006, the Company issued fixed-rate subordinated term debts of RMB8 billion, RMB5 billion, RMB6 billion and RMB3 billion, respectively, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

Save for the subordinated term debts mentioned above, the Company and its subsidiaries did not obtain working capital by borrowing.

The Company and its subsidiaries expect that they can meet their working capital needs in the future from cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

## **CAPITAL EXPENDITURES**

The capital expenditures of the Company and its subsidiaries primarily include expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditures of the Company and its subsidiaries were RMB1,849 million in 2014.

## **SOLVENCY MARGIN REQUIREMENT**

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB33,290 million on 31 December 2014. The Company's actual solvency margin on 31 December 2014 as calculated pursuant to the regulations of the CIRC was RMB79,440 million and the solvency margin ratio was 239% (*Note*).

*Note:* In calculating the solvency margin, the assessment standards for liability reserves as promulgated by the CIRC shall continue to apply to insurance contract liabilities while China Accounting Standards for Business Enterprises shall apply to non-insurance contract liabilities.

## **GEARING RATIO**

As at 31 December 2014, the gearing ratio (*Note*) of the Company and its subsidiaries was 70.4%, representing a decrease of 5.5 percentage points from 75.9% as at 31 December 2013.

*Note:* Gearing ratio is represented by total liabilities (excluding subordinated term debts) divided by total assets under accounting principles generally accepted in Hong Kong.

## **CONTINGENT EVENT**

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration proceedings. Most of such legal proceedings involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Company and its subsidiaries believe that any resulting liabilities will not have a material adverse effect on the financial positions or operating results of the Company and its subsidiaries.

There were certain pending legal proceedings for the Company and its subsidiaries during the year 2014. After considering professional opinions, the management of the Company and its subsidiaries are of the view that such legal proceedings will not bring material losses to the Company and its subsidiaries.

## **EVENTS AFTER THE REPORTING PERIOD**

On 27 March 2015, the Board proposed a final dividend of RMB0.270 per ordinary share. This proposal is subject to the approval at shareholders' general meeting of the Company.

## **CREDIT RISK**

Credit risk is the risk of economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payments when due. The accounts receivable for insurance assets, reinsurance assets, debt securities and deposits with commercial banks of the Company and its subsidiaries are subject to credit risk.

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers purchasing part of the policies through insurance intermediaries. The ability to collect premiums in a timely manner remains one of the key performance indicators of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in relation to insurance business accounts receivable.

Except when dealing with state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with Standard & Poor's ratings of A- (or equivalent ratings given by other international rating agencies such as A.M. Best, Fitch and Moody's) or above. The management of the Company and its subsidiaries review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of and determine reasonable impairment provision for reinsurance assets of the Company and its subsidiaries on a regular basis.

The Company and its subsidiaries diligently manage credit risk in debt securities mainly by analysing the creditworthiness of investee companies prior to making investments and by strictly conforming to the regulations in relation to ratings of corporate bond investments issued by the CIRC. The majority of the corporate bonds held by the Company and its subsidiaries have credit ratings of AA or above.

The Company and its subsidiaries manage and lower credit risk affecting their bank deposits mainly by depositing most of their deposits with state-owned banks or state-controlled commercial banks.

## **EXCHANGE RATE RISK**

The Company and its subsidiaries conduct their business primarily in RMB, which is also their functional and financial reporting currency. A portion of their business (including a portion of commercial property insurance, international cargo insurance and aviation insurance business) is conducted in foreign currencies, primarily in US dollars. The Company and its subsidiaries are also exposed to exchange rate risks with respect to their certain assets such as bank deposits, debt securities and certain insurance liabilities which are denominated in foreign currencies, primarily in US dollars.

Foreign exchange transactions in the capital accounts of the Company and its subsidiaries are subject to foreign exchange control and the approval of the administration authority for foreign exchange. Exchange rate fluctuations may arise as a result of the foreign exchange policies of the PRC government.

## **INTEREST RATE RISK**

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires the Company and its subsidiaries to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires the Company and its subsidiaries to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, re-price interest on floating rate instruments at intervals of less than one year, and manage floating interest rate risk through such means as interest rate swap instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

## **INTEREST RATE SWAPS**

The Company's financial assets which bear interest at different rates would generate uncertain cash flow. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As at 31 December 2014, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,050 million.

## **DEVELOPMENT OF NEW PRODUCTS**

In 2014, the Company focused on the hot spots of the market and the needs of clients and submitted a total of 463 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 68 national provisions and premium rates, 395 regional provisions and premium rates, and 312 main insurance provisions and premium rates and 151 rider provisions and premium rates. As at 31 December 2014, the Company had 6,756 insurance provisions in use and operation, including 4,479 national provisions and 2,277 regional provisions.

## **EMPLOYEES**

As at the end of 2014, the Company had 161,310 employees. Staff remuneration payment by the Company and its subsidiaries in 2014 was RMB21,342 million, which mainly included basic salaries, performance-related bonus, and various insurance and benefits contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening personnel training, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

## **LOOKING FORWARD**

China's economic development has entered into a "new normal", witnessing a trend of more steady economic growth with diversified driving forces. Together with optimisation and upgrading of the economic structure, the market vitality will be further released. The deepened transformation of the economic regime will not only have a profound impact on the economy and society of China but also bring new fundamental changes to the insurance industry in its service to the economy and society, thus resulting in new historical development opportunities in the transformation and development of the Company. In 2015, the Company will step up its transformation on all fronts towards a customer-oriented business mode and adapt to the "new normal" with new strategies and positioning to cope with the new challenges. To ensure achievement of the annual operating targets, the Company will take solid measures in the following six key areas:

- Build up the layout of motor vehicle insurance, solidify the refined pricing practice and improve the customer value contribution with a differentiated strategy;
- Build up the layout of commercial non-motor insurance, strengthen the development of potential business and exploration of new business and satisfy the demands of customers through the exploration of business in new areas;
- Build up the layout of policy-supported insurance products, seize and act on the development opportunities promptly and seek development room for the Company while servicing the economy and society;

- Guided by the Company's planning, deepen the market benchmarking and fully bring into play the support of policy leverage;
- Driven by innovation, promote the upgrading of services and management and support the comprehensive transformation towards a customer-oriented business mode;
- Enhance construction at the basic level, continuously improve the work style and reinforce the organisational support capability.

## **DIVIDEND**

On 27 March 2015, the Board proposed the distribution of the final dividend of RMB0.270 per share (inclusive of applicable tax) for the Year. Such proposal for the payment of the Final Dividend is subject to the approval of the Company's shareholders at the annual general meeting to be held on 26 June 2015 (Friday). If approved, the Final Dividend is expected to be paid on 26 August 2015 to the shareholders whose names appear on the register of members of the Company on 9 July 2015 (Thursday).

The Company has not paid any interim dividend for the Year.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the list of shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from 4 July 2015 (Saturday) to 9 July 2015 (Thursday), both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 9 July 2015 (Thursday) are entitled to receive the Final Dividend. In order for holders of H shares of the Company to qualify for the Final Dividend payment, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 3 July 2015 (Friday) for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 26 June 2015 (Friday), the register of members of the Company will be closed from 27 May 2015 (Wednesday) to 26 June 2015 (Friday), both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 26 June 2015 (Friday) are entitled to attend and vote at the annual general meeting. In order for holders of H shares of the Company to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar mentioned above no later than 4:30 p.m. on 26 May 2015 (Tuesday) for registration.

## WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

### Final Dividend Income Tax Applicable to Overseas Shareholders

#### *Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprise Shareholders*

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules and the requirements under the Notice on the Issues Concerning Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes the Final Dividend to overseas non-resident enterprise holders of H shares (including any H shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee shareholder on behalf of investors who invest in the H shares of the Company through Shanghai-Hong Kong Stock Connect).

#### *Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders*

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules, the Tax Notice, the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws, regulations and requirements under normative documents, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas Individual H Shareholders:

- For Individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of the Final Dividend;

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of the Final Dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to the competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these Individual H Shareholders in the distribution of the Final Dividend; and
- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Individual H Shareholders in the distribution of the Final Dividend.

### **Final Dividend Income Tax Applicable to Shareholders in Mainland China Investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect**

#### *Withholding and Payment of Individual Income Tax on behalf of Domestic Individual Shareholders Investing through Shanghai-Hong Kong Stock Connect*

Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic individual shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the Final Dividend. For domestic shareholders who are securities investment funds investing in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the Final Dividend.

## *No Withholding and Payment of Enterprise Income Tax on behalf of Domestic Enterprise Shareholders Investing through Shanghai-Hong Kong Stock Connect*

Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic enterprise shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the Final Dividend, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H shares of the Company which have been continuously held by a domestic enterprise shareholder for 12 months shall be exempted from enterprise income tax.

H shareholders of the Company are recommended to consult their own tax advisors on the relevant tax impact in China, Hong Kong and other countries (regions) on the possession and disposal of H shares of the Company.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the Year.

## **CORPORATE GOVERNANCE**

Save for the deviation from code provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code during the Year.

According to the code provision A.4.2 of the Corporate Governance Code, each director shall be subject to retirement by rotation at least once every three years. The terms of directorship of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning as Independent Non-executive Directors should have expired on 28 April 2011 and 17 January 2012 respectively, and the terms of all the other Directors should have expired on 16 January 2014. However, in accordance with the requirements of the PRC Company Law, where a director has not yet been re-elected upon the expiry of his/her term of office or the number of directors is less than the minimum number due to resignation of directors, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, Mr. Luk Kin Yu, Peter, Mr. Ding Ningning and all the other Directors continued to serve as Directors until the election and appointment of newly elected directors. As a result, the Company failed to comply with the relevant requirement of the code provision A.4.2 of the Corporate Governance Code during the period from 29 April 2011 to the date of this announcement. During the Year, Mr. Tse Sze-Wing, Edmund resigned as a Non-executive Director on 10 July 2014. Mr. Luk Kin Yu, Peter resigned as an Independent Non-executive Director on 12 January 2015. Mr. Zhou Shurui resigned as a Non-executive Director on 20 March 2015.



According to the requirement under Rule 3.10A of the Listing Rules, the number of independent non-executive directors in the board of a listed issuer shall represent at least one-third of the members of the board of directors. Upon the resignation of Mr. Luk Kin Yu, Peter as an Independent Non-executive Director on 12 January 2015, the Board of Directors comprised ten members including three Executive Directors, four Non-executive Directors and three Independent Non-executive Directors, which was not in compliance with the requirement under Rule 3.10A of the Listing Rules. Following the resignation of Mr. Zhou Shurui as a Non-executive Director on 20 March 2015, the number of Independent Non-executive Directors represents one-third of the members of the Board and the Company has re-complied with the requirement under Rule 3.10A of the Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the audited financial statements of the Company and its subsidiaries for the Year.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Final Dividend”	the final dividend for the Year as proposed for payment by the Board of Directors
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Individual H Shareholders”	the individual holders of H shares in the Company who are entitled to receive the Final Dividend
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PRC” or “China”	the People’s Republic of China
“PRC Company Law”	the Company Law of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Tax Notice”	the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)
“the Year”	the year ended 31 December 2014
“%”	per cent

By Order of the Board  
**Wu Yan**  
*Chairman*

Beijing, the PRC  
27 March 2015

*As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Guo Shengchen (executive director), the non-executive directors are Mr. Wang Yincheng, Ms. Yu Xiaoping and Mr. Li Tao, Mr. Wang He is an executive director and the independent non-executive directors are Mr. Ding Ningning, Mr. Liao Li and Mr. Lin Hanchuan.*