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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 2015**

The Board of Directors is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2015, with comparative figures for the previous year, as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2015*

	Notes	<u>2015</u> <i>RMB million</i>	<u>2014</u> <i>RMB million</i>
<b>GROSS WRITTEN PREMIUMS</b>	5	<b><u>281,698</u></b>	<b><u>253,037</u></b>
Net earned premiums	5	244,567	211,169
Net claims incurred	6	(153,419)	(135,947)
Net policy acquisition costs	7	(54,255)	(41,803)
Other underwriting expenses		(20,775)	(18,297)
Administrative expenses		<u>(7,514)</u>	<u>(7,831)</u>
<b>UNDERWRITING PROFIT</b>		<b><u>8,604</u></b>	<b><u>7,291</u></b>
Investment income	8	14,268	12,141
Net realised and unrealised gains on investments	9	6,562	1,319
Investment related expenses		(645)	(243)
Interest expenses credited to policyholders' deposits		(3)	—
Exchange gains, net		351	9
Sundry income		404	425
Sundry expenses		(173)	(177)
Finance costs		(1,638)	(1,631)
Share of profits of associates		<u>473</u>	<u>307</u>
<b>PROFIT BEFORE TAX</b>	10	<b><u>28,203</u></b>	<b><u>19,441</u></b>
Income tax expense	11	<u>(6,356)</u>	<u>(4,326)</u>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b><u>21,847</u></b>	<b><u>15,115</u></b>
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)</b>	12	<b><u>1.473</u></b>	<b><u>1.061</u></b>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2015*

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>21,847</u></b>	<b><u>15,115</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	12,480	11,824
– Reclassification of gains to profit or loss on disposals	(5,981)	(1,422)
– Impairment losses	–	502
Income tax effect	(1,625)	(2,726)
Share of other comprehensive income of associates	<u>299</u>	<u>508</u>
	<u>5,173</u>	<u>8,686</u>
Net (losses)/gains on cash flow hedges	(5)	15
Income tax effect	1	(4)
Share of other comprehensive (expense)/income of associates	<u>(1)</u>	<u>1</u>
	<u>(5)</u>	<u>12</u>
<b>NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b><u>5,168</u></b>	<b><u>8,698</u></b>
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	217	338
Income tax effect	(54)	(84)
Share of other comprehensive income/(expense) of associates	<u>2</u>	<u>(9)</u>
<b>NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b><u>165</u></b>	<b><u>245</u></b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>5,333</u></b>	<b><u>8,943</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>27,180</u></b>	<b><u>24,058</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		<b>31 December 2015</b>	31 December 2014
	<i>Notes</i>	<b><i>RMB million</i></b>	<i>RMB million</i>
<b>ASSETS</b>			
Cash and cash equivalents		22,828	24,157
Derivative financial assets		8	13
Debt securities		107,404	107,789
Equity securities and mutual funds		68,714	40,951
Insurance receivables, net	14	19,317	17,400
Reinsurance assets		26,426	25,681
Term deposits		98,663	88,236
Investments classified as loans and receivables		30,052	21,752
Prepayments and other assets		16,180	13,500
Investments in associates		8,584	4,750
Investment properties		4,783	4,684
Property, plant and equipment		14,110	13,786
Prepaid land premiums		3,351	3,431
<b>TOTAL ASSETS</b>		<b><u>420,420</u></b>	<b><u>366,130</u></b>
<b>LIABILITIES</b>			
Payables to reinsurers	15	9,141	10,403
Accrued insurance protection fund		741	755
Securities sold under agreements to repurchase		23,688	14,241
Income tax payable		2,943	818
Other liabilities and accruals		39,107	31,235
Insurance contract liabilities	16	217,288	198,137
Policyholders' deposits		2,226	1,786
Subordinated debts		16,297	22,449
Deferred tax liabilities		38	531
<b>TOTAL LIABILITIES</b>		<b><u>311,469</u></b>	<b><u>280,355</u></b>
<b>EQUITY</b>			
Issued capital		14,828	14,828
Reserves		94,118	70,942
Equity attributable to owners of the parent		108,946	85,770
Non-controlling interests		5	5
<b>TOTAL EQUITY</b>		<b><u>108,951</u></b>	<b><u>85,775</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>420,420</u></b>	<b><u>366,130</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 this 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. BASIS OF PREPARATION

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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

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 Renminbi (“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.

## 3. APPLICATIONS OF NEW AND REVISED HKFRSs

The Group has adopted the following amendments to HKFRSs for the first time effective for the current year’s financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

None of the above amendments to HKFRSs has had a material impact on the financial position or performance of the Group for the year ended 31 December 2015.

#### 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 attributable to owners of the parent 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 property, plant and equipment, investment properties, prepaid land premiums, other assets, subordinated debts, income tax payable, 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 2015 and 2014.

In 2015 and 2014, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

The segment income statements for the years ended 31 December 2015 and 2014 are as follows:

2015	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
Gross written premiums	204,266	12,916	3,225	11,558	18,560	18,944	12,229	-	281,698
Net earned premiums	190,067	7,900	2,350	8,386	15,193	14,552	6,119	-	244,567
Net claims incurred	(115,085)	(5,243)	(1,155)	(4,857)	(13,695)	(9,425)	(3,959)	-	(153,419)
Net policy acquisition costs	(47,654)	(2,025)	(596)	(2,173)	(1,153)	131	(785)	-	(54,255)
Other underwriting expenses	(14,984)	(820)	(223)	(722)	(849)	(2,239)	(938)	-	(20,775)
Administrative expenses	(4,958)	(513)	(131)	(376)	(558)	(572)	(406)	-	(7,514)
Underwriting profit/(loss)	7,386	(701)	245	258	(1,062)	2,447	31	-	8,604
Investment income	-	-	-	-	-	-	-	14,268	14,268
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	6,562	6,562
Investment related expenses	-	-	-	-	-	-	-	(645)	(645)
Interest expense credited to policyholders' deposits	-	-	-	-	-	-	(3)	-	(3)
Exchange gains, net	-	-	-	-	-	-	-	351	351
Finance costs	-	-	-	-	-	-	-	(1,638)	(1,638)
Sundry income and expenses, net	-	-	-	-	-	-	-	231	231
Share of profits of associates	-	-	-	-	-	-	-	473	473
Profit/(loss) before tax	7,386	(701)	245	258	(1,062)	2,447	28	19,602	28,203
Income tax expense	-	-	-	-	-	-	-	(6,356)	(6,356)
Profit/(loss) attributable to owners of the parent – segment results	7,386	(701)	245	258	(1,062)	2,447	28	13,246	21,847

2014	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>
Gross written premiums	185,054	12,929	3,556	10,041	14,161	17,143	10,153	–	253,037
Net earned premiums	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)
Net 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	3,790	172	235	467	51	2,076	500	–	7,291
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	3,790	172	235	467	51	2,076	500	12,150	19,441
Income tax expense	–	–	–	–	–	–	–	(4,326)	(4,326)
Profit attributable to owners of the parent – segment results	3,790	172	235	467	51	2,076	500	7,824	15,115

The segment assets, liabilities and other segment information of the Group as at 31 December 2015 and 2014 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>
<b>31 December 2015</b>									
Segment assets	<u>9,913</u>	<u>8,483</u>	<u>1,340</u>	<u>4,422</u>	<u>4,500</u>	<u>5,881</u>	<u>14,084</u>	<u>371,797</u>	<u>420,420</u>
Segment liabilities	<u>171,110</u>	<u>15,214</u>	<u>2,993</u>	<u>13,756</u>	<u>11,960</u>	<u>11,282</u>	<u>20,002</u>	<u>65,152</u>	<u>311,469</u>
Other segment information:									
Depreciation and amortisation	1,478	91	23	84	134	136	87	–	2,033
Impairment losses on insurance receivables	38	81	20	27	29	77	48	–	320
Impairment losses on prepayments and other assets	10	132	8	91	22	5	97	–	365
Interest income	–	–	–	–	–	–	–	12,425	12,425
Capital expenditures	–	–	–	–	–	–	–	2,063	2,063
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,063</u>	<u>2,063</u>
	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>
<b>31 December 2014</b>									
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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,860</u>	<u>1,860</u>



## 5. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
<u>Gross written premiums</u>		
Direct written premiums	281,010	252,419
Reinsurance premiums assumed	688	618
	<u>281,698</u>	<u>253,037</u>
<u>Net earned premiums</u>		
Gross written premiums	281,698	253,037
Less: Reinsurance premiums ceded	(29,569)	(31,279)
	<u>252,129</u>	<u>221,758</u>
Gross change in unearned premium reserves	(7,277)	(9,043)
Less: Reinsurer's share of change in unearned premium reserves	(285)	(1,546)
	<u>(7,562)</u>	<u>(10,589)</u>
Net change in unearned premium reserves	<u>(7,562)</u>	<u>(10,589)</u>
Net earned premiums	<u>244,567</u>	<u>211,169</u>

## 6. NET CLAIMS INCURRED

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Gross claims paid	160,981	144,685
Less: Paid losses recoverable from reinsurers	(18,406)	(18,550)
	<u>142,575</u>	<u>126,135</u>
Gross change in loss and loss adjustment expense reserves	11,874	10,608
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	(1,030)	(796)
	<u>10,844</u>	<u>9,812</u>
Net change in loss and loss adjustment expense reserves	<u>10,844</u>	<u>9,812</u>
Net claims incurred	<u>153,419</u>	<u>135,947</u>

## 7. NET POLICY ACQUISITION COSTS

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Commission expenses	31,523	23,368
Less: Reinsurance commission income	(9,012)	(9,950)
Underwriting personnel expenses	15,032	12,837
Business tax and surcharges	13,682	12,468
Insurance protection fund	2,181	2,021
Others	849	1,059
	<u>54,255</u>	<u>41,803</u>

## 8. INVESTMENT INCOME

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Operating lease income from investment properties	209	210
Interest income		
Current and term deposits	5,793	4,768
Debt securities		
– Held-to-maturity	2,131	2,049
– Available-for-sale	2,897	3,002
– Held-for-trading	40	62
Derivative financial assets	14	8
Investments classified as loans and receivables	1,550	934
Subtotal	<u>12,425</u>	<u>10,823</u>
Dividend income from equity securities and mutual funds		
– Available-for-sale	1,484	958
– Held-for-trading	150	150
Subtotal	<u>1,634</u>	<u>1,108</u>
Total	<u>14,268</u>	<u>12,141</u>

## 9. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Realised gains from:		
Debt securities		
– Available-for-sale	110	34
– Held-for-trading	12	17
Equity securities and mutual funds		
– Available-for-sale	5,871	1,388
– Held-for-trading	350	19
Unrealised gains from:		
Debt securities classified as held-for-trading	10	15
Equity securities and mutual funds classified as held-for-trading	64	284
Fair value gains on investment properties	145	64
Impairment losses on equity securities and mutual funds classified as available-for-sale	–	(502)
	<u>6,562</u>	<u>1,319</u>

## 10. PROFIT BEFORE TAX

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

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Depreciation of property, plant and equipment	1,697	2,219
Amortisation of prepaid land premiums	156	133
Employee expenses (including directors', supervisors' and senior management's remuneration):		
Salaries, allowances and performance related bonuses	25,091	22,342
Pension scheme contributions	2,630	2,002
Impairment losses on insurance receivables	320	517
Impairment losses on prepayments and other assets	365	–
Minimum lease payments under operating leases in respect of land and buildings	768	701
Net gain on disposal of items of property, plant and equipment	(86)	(34)
Auditors' remuneration	14	14
	<u>14</u>	<u>14</u>

## 11. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2014: 25%) in accordance with the relevant PRC income tax rules and regulations.

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Current		
– Charge for the year	8,521	5,412
– Adjustments in respect of current tax of prior years	6	–
Deferred	<u>(2,171)</u>	<u>(1,086)</u>
Total tax charge for the year	<u><b>6,356</b></u>	<u><b>4,326</b></u>

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:

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<u><b>28,203</b></u>	<u><b>19,441</b></u>
Tax at the statutory tax rate of 25% (2014: 25%)	7,051	4,860
Income not subject to tax	(831)	(646)
Expenses not deductible for tax	130	112
Adjustments in respect of current tax of prior years	<u>6</u>	<u>–</u>
Tax charge at the Group's effective tax rate	<u><b>6,356</b></u>	<u><b>4,326</b></u>

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

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

	<u>2015</u>	<u>2014</u>
Earnings:		
Profit attributable to owners of the parent (RMB million)	<u>21,847</u>	<u>15,115</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>14,828</u>	<u>14,249</u>
Basic earnings per share (RMB)	<u><u>1.473</u></u>	<u><u>1.061</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. Diluted earnings per share amounts for the years ended 31 December 2015 and 2014 have not been disclosed as there were no potential ordinary shares outstanding during these years.

## 13. DIVIDEND

	<u>2015</u>	<u>2014</u>
	<i>RMB million</i>	<i>RMB million</i>
Dividends recognised as distribution during the year:		
2014 final dividend – RMB0.270 per ordinary share	<u>4,004</u>	–
2013 final dividend – RMB0.221 per ordinary share	<u>–</u>	<u>3,007</u>

No interim dividend was proposed by the Board of Directors in 2015 and 2014.

Pursuant to the shareholders' approval at the general meeting on 26 June 2015, a final dividend of RMB0.270 per ordinary share totalling RMB4,004 million in respect of the year ended 31 December 2014 was declared.

Pursuant to the shareholders' approval at the general meeting on 27 June 2014, a final dividend of RMB0.221 per ordinary share totalling RMB3,007 million in respect of the year ended 31 December 2013 was declared.

#### 14. INSURANCE RECEIVABLES, NET

	<b>31 December 2015</b>	31 December 2014
	<i>RMB million</i>	<i>RMB million</i>
Premiums receivable and agents' balances	9,823	7,490
Receivables from reinsurers	12,366	12,600
	<b>22,189</b>	20,090
Less: Impairment provision on:		
– Premiums receivable and agents' balances	(2,684)	(2,450)
– Receivables from reinsurers	(188)	(240)
	<b>19,317</b>	17,400

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

	<b>31 December 2015</b>	31 December 2014
	<i>RMB million</i>	<i>RMB million</i>
Not yet due	14,609	13,599
Within 1 month	893	691
1 to 3 months	1,691	1,397
3 to 6 months	793	611
6 to 12 months	1,079	779
1 to 2 years	163	196
Over 2 years	89	127
	<b>19,317</b>	17,400

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

	<b>2015</b>	2014
	<i>RMB million</i>	<i>RMB million</i>
At 1 January	2,690	2,313
Impairment losses recognised ( <i>note 10</i> )	320	517
Amount written off as uncollectible	(138)	(140)
At 31 December	<b>2,872</b>	2,690

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB100 million (31 December 2014: RMB135 million).

## 15. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	<b>31 December 2015</b>	31 December 2014
	<i>RMB million</i>	<i>RMB million</i>
Reinsurance payables	<b>9,141</b>	10,403

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 RMB110 million (31 December 2014: RMB150 million).

## 16. INSURANCE CONTRACT LIABILITIES

	<b>31 December 2015</b>	31 December 2014
	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	<b>102,915</b>	95,638
Loss and loss adjustment expense reserves	<b>114,373</b>	102,499
	<b>217,288</b>	198,137

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

	2015			2014		
	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	95,638	(9,592)	86,046	86,595	(11,138)	75,457
Increase during the year	218,092	(20,501)	197,591	201,535	(21,540)	179,995
Release during the year	(210,815)	20,786	(190,029)	(192,492)	23,086	(169,406)
At 31 December	<u>102,915</u>	<u>(9,307)</u>	<u>93,608</u>	<u>95,638</u>	<u>(9,592)</u>	<u>86,046</u>
<b>Loss and loss adjustment expense reserves</b>						
At 1 January	102,499	(16,089)	86,410	91,891	(15,293)	76,598
Increase during the year	172,855	(19,436)	153,419	155,293	(19,346)	135,947
Release during the year	(160,981)	18,406	(142,575)	(144,685)	18,550	(126,135)
At 31 December	<u>114,373</u>	<u>(17,119)</u>	<u>97,254</u>	<u>102,499</u>	<u>(16,089)</u>	<u>86,410</u>
<b>Total insurance contract liabilities</b>	<u>217,288</u>	<u>(26,426)</u>	<u>190,862</u>	<u>198,137</u>	<u>(25,681)</u>	<u>172,456</u>



## DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

### OVERVIEW

In 2015, China's economic development entered into the "new normal", featuring more steady economic growth and more diversified growth momentum, which has imposed a far-reaching influence on China's economy and society and brought new profound changes to the role of the insurance sector in serving economic and social development. In 2015, the Company closely followed the trend of market-oriented insurance regulatory reforms, strengthened market benchmarking, proactively adjusted market strategies to respond to the deregulation of commercial motor insurance premium rates, duly implemented cost-leadership strategy, thereby effectively enhanced its leading market position and continued to raise its profitability.

- **Enhanced reform and innovation, effectively consolidated the market position.** In 2015, the gross written premiums of the Company and its subsidiaries reached RMB281,698 million, representing a year-on-year increase of 11.3% and achieved a market share of 33.4% (*Note*) in the property and casualty insurance market of the PRC, with the incremental premiums maintaining number one ranking in the market. Gross written premiums of the motor vehicle insurance segment amounted to RMB204,266 million, representing a year-on-year increase of 10.4%; gross written premiums of the non-motor insurance business amounted to RMB77,432 million, representing a year-on-year increase of 13.9%.

*Note:* Calculated based on the PRC insurance industry data for 2015 published on the website of the CIRC.

- **Underwriting and investment, as the twin drivers, continuously improved profitability.** In 2015, the combined ratio of the Company and its subsidiaries was 96.5%, same as that of the previous year; underwriting profit was RMB8,604 million, representing a year-on-year increase of 18.0%; total investment income reached RMB21,303 million, representing a year-on-year increase of 54.7%; profit attributable to owners of the parent was RMB21,847 million, representing a year-on-year increase of 44.5%, net profit exceeded RMB20,000 million for the first time; the return on equity ratio was 22.4%, representing a year-on-year increase of 1.3 percentage points, thus maintaining the industry leading position.
- **Steady improvement in capital conditions, upgraded rating on financial strength.** As at the end of 2015, the total assets of the Company and its subsidiaries reached RMB420,420 million, representing a year-on-year increase of 14.8%. The total equity was RMB108,951 million, representing a year-on-year increase of 27.0%. The total amount of investment assets grew steadily, reaching RMB344,025 million. The solvency margin ratio was 226%, continuously maintaining the level II Solvency Adequacy. Due to the Company's outstanding position in the industry and constantly improved comprehensive strengths, Moody's Investors Service, Inc. raised the insurance financial strength rating of the Company from A1 to Aa3 in June 2015, which is the highest rating in Mainland China.

- **Full demonstration of service capabilities, continuously strengthened brand influence.** In 2015, the insured amount of the Company and its subsidiaries was RMB247.98 trillion in aggregate, representing a year-on-year increase of 20.0%; the Company and its subsidiaries processed 25.75 million claims of all types and paid aggregate claims of RMB148,600 million in total. Customer satisfaction was continuously enhanced, as evidenced by a number of honours awarded to the Company, including “Best Property Insurance Company in Asia”, and maintained the number one ranking for the sixth consecutive year in terms of competitiveness among the Asian property insurance companies.

**(I) Strengthening market benchmarking and adjusting market strategies to respond to market-oriented regulatory reforms**

The Company adhered to market benchmarking, implemented proactive financial policies, and took initiative to respond to the deregulation of commercial motor insurance premium rates. By upgrading the mechanism for channel cooperation with auto dealers, implementing plans to improve business renewal rate and the transferred-in rate of high-quality business, and adopting proactive policies on sales expenses and incentive performance appraisals, the Company expedited the profitable development of motor vehicle insurance. With efforts made in the establishment of a mechanism for development of comprehensive insurance products, promotion of the insurance business serving the Internet ecosystem (such as returned goods freight insurance and delayed voyage insurance), and deepening cooperation with banks, the Company effectively consolidated its leading position in the commercial non-motor insurance market. The Company speeded up the construction of the comprehensive information platform for the agriculture insurance, which continuously added to the new competitive edge of the agriculture insurance. The establishment of the Social and Medical Insurance Service Center and the reinforcement of specialised management and operation led to the continued strong growth in the critical illness insurance business. The Company spearheaded the establishment of a consortium to provide insurance for the first set of major technical equipment, and initiated the establishment of a consortium to provide housing insurance for Chinese urban and rural residents against earthquake/catastrophe and a consortium to provide re-insurance services for the Chinese agriculture insurance, thereby facilitating the implementation of the regional catastrophe insurance program and highlighting its leading position in the industry.

## **(II) Improving quality, enhancing profitability, reducing costs and saving expenses to effectively push forward the cost-leadership strategy**

The Company consistently adjusted and optimised its expenses structure, implemented comprehensive budget management, strictly controlled its administrative expenses and increased the sales-related expenditure. Such differentiated allocation of resources showed noticeable effects and the utilisation of resources witnessed an increase in efficiency. The Company continuously enhanced the quality control of its underwriting business, and further improved the construction of the platform for centralised management and control on pricing of motor vehicle insurance, thereby continuously increasing the percentage of high-quality business; improved the mechanism for risk inspection, underwriting and dynamic authorisation relating to commercial non-motor insurance and established a policy evaluation and risk tolerance authorisation system to focus on the control of high risk customers; strengthened its underwriting risk management of the critical illness insurance business, established and enhanced the underwriting management and control system; reasonably arranged reinsurances and strictly managed risk exposure. The Company continuously deepened its dedicated management on claim settlement, and focused on improvement of its management and control capability in respect of property damage in motor vehicle insurance, payment for personal injuries, inspection and liabilities claims, and non-motor insurance claim settlement.

## **(III) Promoting the launch of the C-ROSS and establishing a long effective risk management and control mechanism**

In 2015, the C-ROSS entered into a transition period. The Company deeply implemented the concept of C-ROSS, proactively adjusted its market strategies, improved the solvency risk management system and the capital management structure and initiated capital tools innovation. In 2015, the Company strengthened its compliance management and regulation on operational activities, achieving progress in both compliance and business development. By improving the risk preferences system and framework and deepening the construction of its comprehensive risk management system, the Company continuously improved its solvency and risk management capabilities.

## **(IV) Serving the PRC's key strategies and fulfilling the social responsibilities of a state-owned enterprise**

The Company coordinated and planned the Internet strategic layout, innovated the online and offline service platforms, served the key strategy of “the Belt and Road Initiatives” of China and supported the economic development. The Company acted as the sole or principal underwriter in a number of landmark insurance projects, including the construction of the second airport in the capital and telecommunications satellites APSTAR-9 and Lao Sat-1. The Company proactively coped with natural catastrophes such as the drought in northeast and northern China, Typhoon Mujigae and Typhoon Chan-hom, and properly dealt with major accidents such as the sinking of the cruise ship Eastern Star and Tianjin Binhai explosions in a timely manner, which fully demonstrated the Company's service capabilities and responsibilities as a state-owned enterprise.

## 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 earned premiums for the relevant periods:

	Year ended 31 December			
	2015		2014	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	<b>244,567</b>	<b>100.0</b>	211,169	100.0
Net claims incurred	<b>(153,419)</b>	<b>(62.7)</b>	(135,947)	(64.4)
Total expenses	<b>(82,544)</b>	<b>(33.8)</b>	(67,931)	(32.1)
Underwriting profit	<b><u>8,604</u></b>	<b><u>3.5</u></b>	<b><u>7,291</u></b>	<b><u>3.5</u></b>

## GROSS WRITTEN PREMIUMS

The following table sets forth the gross written premiums of the Company and its subsidiaries by insurance segments for the relevant periods:

	Year ended 31 December	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	<b>204,266</b>	185,054
Commercial property insurance	<b>12,916</b>	12,929
Accidental injury and health insurance	<b>18,560</b>	14,161
Liability insurance	<b>11,558</b>	10,041
Cargo insurance	<b>3,225</b>	3,556
Agriculture insurance	<b>18,944</b>	17,143
Other insurance	<b>12,229</b>	10,153
Total	<b><u>281,698</u></b>	<b><u>253,037</u></b>

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

	Year ended 31 December			
	2015		2014	
	Amount <i>RMB million</i>	Percentage %	Amount <i>RMB million</i>	Percentage %
Insurance agents	162,617	57.9	145,095	57.5
Among which:				
Individual insurance agents	85,579	30.5	77,395	30.7
Ancillary insurance agents	52,749	18.8	52,012	20.6
Professional insurance agents	24,289	8.6	15,688	6.2
Direct sales	103,755	36.9	93,421	37.0
Insurance brokers	14,638	5.2	13,903	5.5
Total	<b>281,010</b>	<b>100.0</b>	252,419	100.0

Gross written premiums of the Company and its subsidiaries were RMB281,698 million in 2015, representing an increase of RMB28,661million (or 11.3%) from RMB253,037 million in 2014. The overall steady business growth was largely driven by the development of the motor vehicle insurance, agriculture insurance, accidental injury and health insurance, liability insurance and credit and surety insurance business. Amongst these segments:

Gross written premiums of the motor vehicle insurance segment were RMB204,266 million, representing an increase of RMB19,212 million (or 10.4%) from RMB185,054 million in 2014. With the slow-down in the sales growth of the domestic motor vehicle market in 2015, the Company responded to the deregulation of commercial motor insurance premium rates by adopting proactive policies on sales expenses and incentive performance appraisals, and implemented plans to improve business renewal rate and the transferred-in rate of high-quality business, which led to a higher growth rate in the renewed business and transferred-in business than that of the overall motor vehicle insurance business. The Company upgraded the mechanism for channel cooperation with auto dealers and continuously increased the efforts in marketing of product mix, as a result of which the proportion of customers buying both commercial and compulsory motor vehicle insurance showed significant increase, and the motor vehicle insurance business recorded stable growth.

Gross written premiums of the commercial property insurance segment were RMB12,916 million, representing a decrease of RMB13 million (or -0.1%) from RMB12,929 million in 2014. In 2015, in an effort to proactively respond to the adverse situation arising from economic restructuring and the decline of premium rates of commercial property insurance, the Company accelerated the transformation and upgrading of the customer service model and channel cooperation model and vigorously developed the commercial property insurance business with small and medium-sized enterprises, thus resulting in a stable market share, despite a slight decline in gross written premiums compared to that of the previous year.

Gross written premiums of the accidental injury and health insurance segment were RMB18,560 million, representing an increase of RMB4,399 million (or 31.1%) from RMB14,161 million in 2014. In 2015, through channels and platforms integration and establishment of professional teams, rapid growth was seen in both the traditional business of the Company such as accidental injury insurance for groups, school students and young children and the innovative business such as insurance covering accidental injuries that occurred during medical surgery, travelling and in rural areas. Meanwhile, the critical illness insurance business of the Company continued to hold its rapid growth momentum, bringing the health insurance business to a further increase in terms of market share.

Gross written premiums of the liability insurance segment were RMB11,558 million, representing an increase of RMB1,517 million (or 15.1%) from RMB10,041 million in 2014. In 2015, the Company spearheaded the formation of an insurance consortium for the first set of major technical equipment, continuously bringing into play its advantages in underwriting techniques, product development, industrial research and marketing. There was a relatively fast growth in innovative business, such as comprehensive insurance for the first set of major technical equipment and the liability insurance for the preservation of properties under lawsuit, and the traditional business, such as employer's liability insurance, medical liability insurance and extended warranty liability insurance. Meanwhile, the Company accelerated the business transformation and upgrading, vigorously developed the Internet channel, proactively promoted the rapid development of diversified commercial business, such as returned goods freight insurance, designated driving liability insurance and cloud computing liability insurance.

Impacted by the macroeconomic trend, the sources of cargo insurance business shrank and the premium rates declined remarkably. Gross written premiums of the cargo insurance segment were RMB3,225 million, representing a decrease of RMB331 million (or -9.3%) from RMB3,556 million in 2014.

Gross written premiums of the agriculture insurance segment were RMB18,944 million in 2015, representing an increase of RMB1,801 million (or 10.5%) from RMB17,143 million in 2014. In 2015, the Company strengthened the communication and cooperation with government agencies and steadily developed the insurance business with local characteristics and developed the innovative insurance business, such as insurance for the yield of food crops, price of agricultural products and weather index, maintaining a rapid growth in the agriculture insurance business.

Gross written premiums of the other insurance segment were RMB12,229 million, representing an increase of RMB2,076 million (or 20.4%) from RMB10,153 million in 2014. In 2015, the Company made great efforts in developing short-term export credit insurance and individual credit loan surety insurance to the extent that the risks were controllable, with the gross written premiums of the credit and surety insurance business achieving a relatively rapid growth.

## NET EARNED PREMIUMS

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

	Year ended 31 December	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	190,067	164,606
Commercial property insurance	7,900	7,921
Accidental injury and health insurance	15,193	11,324
Liability insurance	8,386	7,302
Cargo insurance	2,350	2,523
Agriculture insurance	14,552	12,426
Other insurance	6,119	5,067
Total	<b>244,567</b>	<b>211,169</b>

Net earned premiums of the Company and its subsidiaries were RMB244,567 million in 2015, representing an increase of RMB33,398 million (or 15.8%) from RMB211,169 million in 2014.

## NET CLAIMS INCURRED

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

	Year ended 31 December			
	2015		2014	
	Net claims incurred <i>RMB million</i>	Loss ratio %	Net claims incurred <i>RMB million</i>	Loss ratio %
Motor vehicle insurance	(115,085)	(60.5)	(106,587)	(64.8)
Commercial property insurance	(5,243)	(66.4)	(4,663)	(58.9)
Accidental injury and health insurance	(13,695)	(90.1)	(9,063)	(80.0)
Liability insurance	(4,857)	(57.9)	(4,062)	(55.6)
Cargo insurance	(1,155)	(49.1)	(1,261)	(50.0)
Agriculture insurance	(9,425)	(64.8)	(7,385)	(59.4)
Other insurance	(3,959)	(64.7)	(2,926)	(57.7)
Total	<b>(153,419)</b>	<b>(62.7)</b>	<b>(135,947)</b>	<b>(64.4)</b>

Net claims incurred of the Company and its subsidiaries in 2015 were RMB153,419 million, representing an increase of RMB17,472 million (or 12.9%) from RMB135,947 million in 2014. The loss ratio was 62.7% in 2015, decreased by 1.7 percentage points from 64.4% in 2014. Amongst these segments:

Net claims incurred of the motor vehicle insurance segment were RMB115,085 million, representing an increase of RMB8,498 million (or 8.0%) from RMB106,587 million in 2014. The loss ratio decreased by 4.3 percentage points from 64.8% in 2014 to 60.5% in 2015. In 2015, the Company strengthened the refined management and control of underwriting and claim settlement, focused on strengthening its ability to obtain high-quality business, optimised its business structure, reinforced the control on property damage in motor vehicle insurance, personal injuries cost, inspection and liabilities claims, etc., and further enhanced its efforts in anti-fraud in claim settlement, the percentage of zero-claim or single-claim business increased while the claim frequency of motor vehicle insurance decreased.

In 2015, due to the Tianjin Binhai explosions and natural catastrophes such as rainstorms and typhoons across China, net claims incurred of the commercial property insurance segment were RMB5,243 million, representing an increase of RMB580 million (or 12.4%) from RMB4,663 million in 2014. The loss ratio increased by 7.5 percentage points from 58.9% in 2014 to 66.4% in 2015.

Net claims incurred of the accidental injury and health insurance segment were RMB13,695 million, representing an increase of RMB4,632 million (or 51.1%) from RMB9,063 million in 2014. The loss ratio increased by 10.1 percentage points from 80.0% in 2014 to 90.1% in 2015. In 2015, market competition in the accidental injury and health insurance segment continued to intensify, leading to a downward trend in premium rate level. In addition, the wider coverage and higher protection offered by critical illness insurance also led to an increase in the overall loss ratio of the accidental injury and health insurance segment.

Net claims incurred of the liability insurance segment were RMB4,857 million, representing an increase of RMB795 million (or 19.6%) from RMB4,062 million in 2014. The loss ratio increased by 2.3 percentage points from 55.6% in 2014 to 57.9% in 2015. Amongst this segment, employer's liability insurance and medical malpractice liability insurance, which grew relatively rapidly, had relatively high loss ratios.

Net claims incurred of the cargo insurance segment were RMB1,155 million, representing a decrease of RMB106 million (or -8.4%) from RMB1,261 million in 2014. The loss ratio decreased by 0.9 percentage points from 50.0% in 2014 to 49.1% in 2015.

Net claims incurred of the agriculture insurance segment were RMB9,425 million, representing an increase of RMB2,040 million (or 27.6%) from RMB7,385 million in 2014. The loss ratio increased by 5.4 percentage points from 59.4% in 2014 to 64.8% in 2015, which was partly due to the severe drought in Liaoning, Hebei and Inner Mongolia in northern China in the summer of 2015.



Net claims incurred of the other insurance segment were RMB3,959 million, representing an increase of RMB1,033 million (or 35.3%) from RMB2,926 million in 2014. The loss ratio increased by 7.0 percentage points from 57.7% in 2014 to 64.7% in 2015. Amongst this segment, the loss ratio of the credit and surety insurance increased as a result of changes in the credit environment in China and abroad.

## TOTAL EXPENSES

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

	Year ended 31 December			
	2015		2014	
	Total expenses	Expense ratio	Total expenses	Expense ratio
	<i>RMB million</i>	%	<i>RMB million</i>	%
Motor vehicle insurance	(67,596)	(35.6)	(54,229)	(32.9)
Commercial property insurance	(3,358)	(42.5)	(3,086)	(39.0)
Accidental injury and health insurance	(2,560)	(16.8)	(2,210)	(19.5)
Liability insurance	(3,271)	(39.0)	(2,773)	(38.0)
Cargo insurance	(950)	(40.4)	(1,027)	(40.7)
Agriculture insurance	(2,680)	(18.4)	(2,965)	(23.9)
Other insurance	(2,129)	(34.8)	(1,641)	(32.4)
Total	<u>(82,544)</u>	<u>(33.8)</u>	<u>(67,931)</u>	<u>(32.1)</u>

Total expenses of the Company and its subsidiaries were RMB82,544 million in 2015, increased by RMB14,613 million (or 21.5%) from RMB67,931 million in 2014, with the expense ratio increasing by 1.7 percentage points from 32.1% in 2014 to 33.8% in 2015. In 2015, the Company implemented the comprehensive budget management and cost-leadership strategy, thoroughly advocated thrift practice among its headquarters and branches, strictly controlled and managed the administrative expenses, thereby significantly reducing the expenses relating to travel, conference, foreign affairs and use of motor vehicles as compared to the previous year, significantly improved its cost management and control capability, achieving administrative expenses of RMB7,514 million (representing a decrease of RMB317 million or 4.0% on a year-on-year basis) and an administrative expense ratio of 3.1% (representing a decrease of 0.6 percentage points on a year-on-year basis); in addition, the Company effectively responded to the deregulation of commercial motor insurance premium rates, proactively adjusted the market strategies, implemented the proactive financial policies, sales expenses policies and incentive performance appraisals, thereby striving to improve its ability to obtain high-quality business and achieving an underwriting expense ratio of 30.7%, representing a year-on-year increase of 2.3 percentage points.

## UNDERWRITING PROFIT

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

	Year ended 31 December			
	2015		2014	
	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %	Underwriting profit <i>RMB million</i>	Underwriting profit ratio %
Motor vehicle insurance	7,386	3.9	3,790	2.3
Commercial property insurance	(701)	(8.9)	172	2.1
Accidental injury and health insurance	(1,062)	(6.9)	51	0.5
Liability insurance	258	3.1	467	6.4
Cargo insurance	245	10.5	235	9.3
Agriculture insurance	2,447	16.8	2,076	16.7
Other insurance	31	0.5	500	9.9
Total	<b>8,604</b>	<b>3.5</b>	<b>7,291</b>	<b>3.5</b>

The Company and its subsidiaries recorded an underwriting profit of RMB8,604 million in 2015, representing an increase of RMB1,313 million (or 18.0%) from RMB7,291 million in 2014; the underwriting profit ratio was 3.5%, remaining the same as that in 2014.

## 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 2015		31 December 2014	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	22,828	6.6	24,157	8.2
Term deposits	98,663	28.7	88,236	29.9
Debt securities	107,404	31.2	107,789	36.5
Equity securities and mutual funds	68,714	20.0	40,951	13.9
Investments classified as				
loans and receivables	30,052	8.7	21,752	7.4
Investment properties	4,783	1.4	4,684	1.6
Investments in associates	8,584	2.5	4,750	1.6
Other investment assets ( <i>Note</i> )	2,997	0.9	2,809	0.9
Total investment assets	<u>344,025</u>	<u>100.0</u>	<u>295,128</u>	<u>100.0</u>

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

In 2015, 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 RMB48,897 million (or 16.6%) 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 gaining and risk taking.

In 2015, the Company increased its allocations in negotiated deposits, high credit rating and high quality debt investment schemes, asset management products and trust plans, and proactively seized the operating opportunities in the equity market, thus recording 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	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Operating lease income from investment properties	209	210
Interest income	12,425	10,823
Dividend income from equity securities and mutual funds	1,634	1,108
Total of investment income	<b>14,268</b>	<b>12,141</b>

Investment income of the Company and its subsidiaries was RMB14,268 million in 2015, representing an increase of RMB2,127 million (or 17.5%) from RMB12,141 million in 2014. The Company adopted a prudent and sound investment strategy and increased its allocations in negotiated deposits, debt investment schemes and asset management products, which offered stable returns, increasing its interest income by RMB1,602 million (or 14.8%) on a year-on-year basis. Meanwhile, with continuous increase and improvement in the level and mechanism for dividend distributions of listed companies, dividend income increased by RMB526 million (or 47.5%) compared to the previous year.

## Net Realised and Unrealised Gains on Investments

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

	Year ended 31 December	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Realised gains on investments	6,343	1,458
Unrealised gains on investments	74	299
Impairment losses on equity securities and mutual funds classified as available-for-sale	—	(502)
Fair value gains on investment properties	145	64
Total of net realised and unrealised gains on investments	<b>6,562</b>	<b>1,319</b>

In 2015, the capital market experienced first a surge and then a fall, and the Company seized the operating opportunities in the equity market, and the realised gains on investments increased by RMB4,885 million (or 335.0%) on a year-on-year basis. Meanwhile, the Company reduced its investment in equity funds and bond funds, and the unrealised gains on investments for the Year were RMB74 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>2015</b>	<b>2014</b>
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<b>28,203</b>	19,441
Income tax expense	<b>(6,356)</b>	(4,326)
Profit attributable to owners of the parent	<b>21,847</b>	15,115
Total assets ( <i>Note</i> )	<b>420,420</b>	366,130

*Note:* Based on the data as at 31 December 2015 and 31 December 2014.

## PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB28,203 million in 2015, representing an increase of RMB8,762 million (or 45.1%) from RMB19,441 million in 2014.

## INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB6,356 million in 2015, representing an increase of RMB2,030 million from RMB4,326 million in 2014.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was an increase in the overall profit of the Company and its subsidiaries in 2015, and the profit attributable to owners of the parent increased by RMB6,732 million (or 44.5%) from RMB15,115 million in 2014 to RMB21,847 million in 2015. Basic earnings per share attributable to owners of the parent in 2015 was RMB1.473.

## CASH FLOW

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

	Year ended 31 December	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	27,232	31,467
Net cash flows used in investing activities	(26,507)	(25,140)
Net cash flows (used in)/from financing activities	(2,054)	1,558
Net (decrease)/increase in cash and cash equivalents	<u>(1,329)</u>	<u>7,885</u>

In 2015, the net cash flows from operating activities of the Company and its subsidiaries amounted to RMB27,232 million, representing a decrease of RMB4,235 million from RMB31,467 million in 2014. In 2015, the Company adhered to market benchmarking, implemented proactive policies on its sales expenses and incentive performance appraisals, and focused on improving its ability to acquire high-quality business. Accordingly, the amounts of the Company's cash expenses such as underwriting expenses and commission expenses increased, and their respective percentages in cash inflow from premiums increased.

In 2015, the Company's underwriting business experienced steady growth and provided stable cash flows to support the investment business. The net cash flows used in investing activities of the Company and its subsidiaries were RMB26,507 million, representing an increase of RMB1,367 million from RMB25,140 million in 2014.

In 2015, the net cash flows used in financing activities of the Company and its subsidiaries were RMB2,054 million, while in 2014, the net cash flows from financing activities were RMB1,558 million. In 2015, the Company's net cash flows from transactions of securities sold under agreements to repurchase were RMB9,447 million and the net cash flows used in redemption of subordinated debts were RMB6,000 million; in 2014, the net cash flows from financing by the Company through a rights issue and subordinated debts were RMB7,220 million and RMB3,000 million, respectively.

As at 31 December 2015, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB22,828 million.

## LIQUIDITY

The cash flows 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 expenditure, operating expenses, tax payments, dividend payments and investment needs.

In October 2014, June 2011 and December 2006, the Company issued fixed-rate subordinated term debts of RMB8,000 million, RMB5,000 million and RMB3,000 million, 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 with cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

## **CAPITAL EXPENDITURE**

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditure of the Company and its subsidiaries was RMB2,141 million in 2015.

## **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 RMB37,831 million on 31 December 2015. The Company's actual solvency margin was RMB85,356 million on 31 December 2015 as calculated pursuant to the regulations of the CIRC and the solvency margin ratio was 226% (*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 PRC Accounting Standards for Business Enterprises shall apply to non-insurance contract liabilities.

## **GEARING RATIO**

As at 31 December 2015, the gearing ratio (*Note*) of the Company and its subsidiaries was 70.2%, representing a decrease of 0.2 percentage points from 70.4% as at 31 December 2014.

*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 liabilities resulted therefrom will not have a material adverse effect on the financial positions or operating results of the Company and its subsidiaries.

As at 31 December 2015, there were certain pending legal proceedings for the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

## **EVENTS AFTER THE REPORTING PERIOD**

On 27 March 2016, the Board proposed a final dividend of RMB0.304 per ordinary share for the Year. This proposal is subject to the approval at shareholders' general meeting of the Company.

Currently, business taxes are imposed on the Company and its subsidiaries mainly for premiums arising from certain insurance contracts and investment income. In March 2016, Ministry of Finance of the PRC announced that, commencing from 1 May 2016, income of financial service sector should be subject to value added taxes ("VAT") instead of business taxes. VAT allow input taxes arising from certain purchases to offset liabilities arising from output taxes. There are also specific requirements on management of VAT invoices. The Company and its subsidiaries are currently assessing the impact of these changes to their financial results and operations.

## **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 assets of the Company and its subsidiaries which are subject to credit risk are substantially insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers who purchase part of the insurance 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 insurance receivables.



Other than from state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A- rating by Standard & Poor's (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 regularly review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of, and determine reasonable impairment provision on reinsurance assets of, the Company and its subsidiaries.

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 relevant regulations issued by the CIRC on the investment ratings of corporate bonds. 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. Parts of the business of the Company and its subsidiaries (including parts of commercial property insurance, international cargo insurance and aviation insurance business) are conducted in foreign currencies, primarily in US dollars. The Company and its subsidiaries are also exposed to exchange rate risks for assets which are valued based on foreign currencies such as parts of their bank deposits and debt securities and certain insurance business liabilities which are denominated in foreign currencies, primarily in US dollars.

Foreign exchange transactions under 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 fair value or 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 interest rate swap and other 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 flows. 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 2015, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,050 million.

## **DEVELOPMENT OF NEW PRODUCTS**

In 2015, the Company focused on the hot spots of the market and the needs of clients and submitted a total of 840 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 193 national provisions and premium rates, 647 regional provisions and premium rates, and 636 main insurance provisions and premium rates and 204 rider provisions and premium rates. As at 31 December 2015, the Company had 7,174 insurance provisions in use and operation, including 4,597 national provisions and 2,577 regional provisions.

## **EMPLOYEES**

As at the end of 2015, the Company had 167,709 employees. In 2015, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB24,314 million, mainly including basic salaries, performance-related bonus, and various insurance and welfare 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**

In 2016, the Company will strengthen its organisational leadership on all fronts, and seize two key points, being market benchmarking in terms of development and better than the market profitability. The Company will also make sound business layout, implement gap management, strictly control the operational risks, continuously improve the development capability, profitability and service capability, in order to bring the reform and development of the Company to a new level through new concepts. To ensure achievement of the annual operating targets, the Company will take solid measures in the following eight key areas:

- Adhere to innovation, coordination, environmentally friendly, openness and sharing, and under the guidance of new development concepts, lead the transformation and upgrade of the Company;
- Deepen the market benchmarking, strengthen the operation planning, and through a highly-performing operating platform, support the achievement of operating targets;
- Optimise the market layout, upgrade the operational model, and through the new model, rebuild new operational advantages for motor vehicle insurance;

- Upgrade product supply, enlarge development space, and develop new engines for the development of non-motor insurance in the new areas;
- Focus on improving the weakness in business operation, innovate development mechanism, and based on the new mechanism, start a new phenomenon in the development of the Company;
- Strengthen professional competence, optimise operational structure, and through the new structure, cultivate new landscape for the profitability of the Company;
- Grasp the characteristics of the era, achieve new breakthrough in the Company's advantages, and through the new advantages, consolidate the Company's new development momentum;
- Improve the system construction, discharge the main responsibilities, and through strong and vigorous organisational leadership, ensure the healthy development of the Company.

## **DIVIDEND**

On 27 March 2016, the Board proposed the distribution of a final dividend of RMB0.304 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 24 June 2016 (Friday). If approved, the Final Dividend is expected to be paid on 19 August 2016 to the shareholders whose names appear on the register of members of the Company on 6 July 2016 (Wednesday).

The Company has not paid any interim dividend during 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 1 July 2016 (Friday) to 6 July 2016 (Wednesday), 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 6 July 2016 (Wednesday) 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 30 June 2016 (Thursday) 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 24 June 2016 (Friday), the register of members of the Company will be closed from 25 May 2016 (Wednesday) to 24 June 2016 (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 24 June 2016 (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 24 May 2016 (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 a nominee shareholder on behalf of southbound investors).

#### *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 a 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 a 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 a 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 Mainland 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 the former Independent Non-executive Directors, Mr. Luk Kin Yu, Peter and Mr. Ding Ningning, should have expired on 28 April 2011 and 17 January 2012 respectively, and the terms of all the other Directors of the third session of the Board should have expired on 16 January 2014. However, in accordance with the requirements of the Company Law, where upon the expiry of the term of office of a director, a new director has not yet been elected or if the number of directors will fall below the minimum number due to the resignation of any director, 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 of the third session of the Board continued to serve as Directors until the appointment of the newly elected Directors. At the Annual General Meeting of the Company on 26 June 2015, the members of the fourth session of the Board were elected for a term of three years starting from 26 June 2015. As a result of Mr. Luk Kin Yu, Peter, Mr. Ding Ningning and all the other Directors of the third session of the Board not having retired by rotation upon expiry of their terms of appointment, the Company failed to comply with the requirement of the code provision A.4.2 of the Corporate Governance Code during the period from 29 April 2011 to 25 June 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. During the Year, 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. However, following the resignation of Mr. Zhou Shurui as a Non-executive Director on 20 March 2015, the number of Independent Non-executive Directors represented one-third of the members of the Board and the Company re-complied with the requirement under Rule 3.10A of the Listing Rules. After the members of the fourth session of the Board were elected at the Annual General Meeting of the Company on 26 June 2015, the Board comprised thirteen members, including four Executive Directors, four Non-executive Directors and five Independent Non-executive Directors, and the Company was again in compliance with the requirement under Rule 3.10A of the Listing Rules. The subsequent resignations of Mr. David Xianglin Li as a Non-executive Director on 2 November 2015 and Mr. Liao Li as an Independent Non-executive Director on 16 December 2015 had not affected the compliance by the Company with Rule 3.10A of the Listing Rules. Currently, the Board comprises eleven members, of which four members are Independent Non-executive Directors, representing more than one-third of the members of the Board and is in compliance with Rule 3.10A of the Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee of the Board 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
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
“C-ROSS”	China Risk Oriented Solvency System
“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 of 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
“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 2015
“%”	per cent

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

Beijing, the PRC  
28 March 2016

*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 and Mr. Lin Zhiyong are executive directors and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi and Mr. Ma Yusheng.*