PICC 中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

Stock Code： 1339

Annual Report 2015

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") is the first nation-wide insurance company in the People's Republic of China (the "PRC") and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking the 174th in the List of Fortune Global 500 (2015) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC Property and Casualty Company Limited ("PICC P&C", listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 02328) and in Hong Kong through The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong"), in which the Company holds approximately 68.98% and 75.0% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"), in which the Company, directly and indirectly, holds 80.0% and approximately 93.95% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC Asset Management Company Limited ("PICC AMC"), in which the Company holds 100% of equity interest, and holds a 100% equity interest in PICC Investment Holding Co., Ltd ("PICC Investment Holding") which is a professional investment company specializing in real estate investments. The Company also carries out non-transactional businesses such as equity and debt investments in insurance and non-insurance capital within and outside the Group through PICC Capital Investment Management Company Limited ("PICC Capital") in which it holds a 100% equity interest. The Company has also made strategic investments in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

- We are the pioneer of the PRC insurance industry and possess a well-recognized brand with the longest history in the industry.

- We are an integrated insurance financial group focusing on our core business, taking a leading position in the rapidly developing Chinese insurance market.

- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to achieve rapid development in business and stable growth in profits.

- We have the capability to synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.

- We have implemented efficient management at the group level to effectively improve synergies among different business lines and improve our overall operational efficiency.

- We have strong professional technical skills as well as product and service innovation capabilities.

- We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas.

- We have an experienced and insightful management team.

Contents

Financial Highlights

Highlights of historical financial information of the Company as of the end of the reporting periods

Unit: RMB in millions, except for percentages

	2015	2014	% change	2013	2012	2011
Group consolidation						
Total assets	**843,468**	782,221	7.8	755,319	688,650	585,152
Total liabilities	**686,273**	656,644	4.5	660,518	605,308	537,217
Total equity	**157,195**	125,577	25.2	94,801	83,342	47,935
Gross written premiums	**388,387**	349,169	11.2	306,421	265,216	249,047
Net profit	**27,665**	18,715	47.8	12,055	10,144	7,897
Net profit attributable to equity holders of the Company	**19,542**	13,109	49.1	8,121	6,832	5,185
Earnings per share (RMB)(1)	**0.46**	0.31	49.1	0.19	0.20	0.16
Net assets value per share (RMB)(1)	**2.74**	2.18	25.7	1.69	1.54	0.91
Weighted average return on equity (%)	**18.7**	16.0	Increase of 2.7 pt	11.9	18.2	19.0

(1) As attributable to equity holders of the Company.

Mr. Wu Yan
Chairman

Dear shareholders,

2015 is an extraordinary year for the development of The People's Insurance Company (Group) of China Limited. During the year, we actively responded to the increasing pressure on economic downturn and the severe challenges in intense market competition. We firmly implemented the keynote of "Further reform and innovation, maintenance of stable growth and emphasizing value creation", grasped opportunities, overcame difficulties and deepened reform. The Group maintained a stable development trend.

In 2015, the value of the Group was effectively implemented and the Group achieved record high total profit. The Group carried forward the concept of value creation and created the best earning results in history. In 2015, the profit before tax of the Group was RMB33.97 billion, representing an increase of 45.0% compared to the corresponding period last year. The Group's net profit was RMB27.665 billion, representing an increase of 47.8% compared to the corresponding period last year; return on equity was 18.7%, representing an increase of 2.7 percentage points compared to the corresponding period last year. Major business sectors recorded outstanding profits. The profit before tax and net profit of PICC P&C were RMB28.203 billion and RMB21.847 billion, representing an increase of 45.1% and 44.5% compared to the corresponding period last year, which are the highest in history. The combined cost ratio was below the industry average. The net profit of PICC Life was RMB3.556 billion, representing an increase of 90.1% compared to the corresponding period last year. The Group's investment yield achieved the highest level of 7.3% since 2008.

In 2015, the development capacity of the Group continued to be strengthened and the business and assets size maintained stable growth. We grasped the initiatives in the market and made tailored strategies, as a result, the Group made new breakthroughs in business revenue, total assets and net assets. The business maintained steady growth. The Group received business revenue of RMB406.011 billion, representing an increase of 15.5% compared to the corresponding period last year. The Group received gross written premiums ("GWPs") of RMB388.387 billion, representing an increase of 11.2% compared to the corresponding period last year, maintained a good trend of double digit growth. PICC P&C received GWPs of RMB281.01 billion, representing an increase of 11.3% compared to the corresponding period last year. The written premiums growth and the market ratio reached the highest level since its listing in 2003. PICC Life received GWPs of RMB90.539 billion, representing an increase of 12.9% compared to the corresponding period last year and ranking the fifth in the life insurance market. PICC Health received GWPs of RMB16.031 billion, representing an increase of 1.4% compared to the corresponding period last year. The overall strength of the Group improved steadily. The total assets of the Group were RMB843.468 billion. The capital accumulation capacity strengthened steadily. The net asset of the Group increased by 25.2% compared to the corresponding period last year to RMB157.195 billion.

In 2015, the Group firmly pushed forward reform and reorganisation, which further improved its capability of integrated development. The Group focused on four reform projects and significant reorganisation projects and continued to improve the integrated development capacity of the Group. The construction of the IT platform of the Group made key progresses and the construction of the unified data platform and customers sharing platform continued to be advanced. Key consolidation and reorganisation projects were pushed forward steadily. East Sea Shipping Insurance Co., Ltd. (東海航運保險公司) was approved to open, which fills the blankness in shipping insurance corporate bodies. The consolidation of client and sales resources sped up and the establishment of the Regional Party Building Coordination Committee was further deepened. The joint establishment and sharing of stores in communities and rural areas continues to be advanced, which completed the promotion and use of the centralized job number in all business sectors. In 2015, the Group received total written premiums ("TWPs") of RMB26.175 billion from cross interactive business, representing an increase of 13.8% compared to the corresponding period last year, whose contribution to the Group's TWPs increased to 6.6%.

In 2015, the Group actively connected national policies and enhanced its capability to provide comprehensive services. While consolidating the insurance in the traditional plantation and breeding sectors, the Group vigorously promoted service innovation on agriculture, rural areas and farmers. The Group received TWPs of RMB18.944 billion from agricultural insurance, representing an increase of 10.5% compared to the corresponding period last year, maintained a market share of 50.3%. The Group grasped the opportunities in the full implementation of critical illness insurance and strengthened the interaction of property and health insurances to give play to their advantages in expanding the critical illness insurance business. The critical illness insurance business served over 350 million people and received written premiums of RMB9.861 billion. The Group served the innovation-driven development strategy of China and led the establishment of the first insurance community of key technology and equipment. It served the "going out" strategy of China and actively developed export credit insurance. It also served the development of inclusive finance and promoted the new model of directly supporting agriculture, rural areas and farmers as well as small and micro enterprises with insurance capitals in more than ten provinces and municipalities, including Zhejiang and Guangdong. It was approved by the regulatory authorities and will start pilot. The Group grasped the opportunities in advancing the rule of law and focusing on the development of liability insurance and made new breakthroughs in medical liability insurance, food safety liability insurance and other businesses. The Group received TWPs of RMB11.605 billion from liability insurance business, representing an increase of 14.9% compared to the corresponding period last year. The Group served the establishment of the catastrophe risks management system, dominated the catastrophe insurance pilot projects in Ningbo and other cities and initiated the establishment of the insurance community of urban and rural residential houses earthquake catastrophe.

2016 is the first year of the "13th Five-year Plan" period of the Group. The economic growth in China has entered into new normal. It is a main theme of the economic growth in China as well as the reform and development of The People's Insurance Company (Group) of China Limited in the future to learn, adapt to and lead new normal. China's economy is advancing into a period with a more superior type and a more reasonable structure. The fundamentals of a better macroeconomic environment for the development of the industry have not changed. The advancing of the supply-side structure reform will accelerate the conversion of the drivers to the development of the industry. With the deepening of the market-oriented reform in the insurance industry, the industry will pay more attention to lean management and value transformation. The organisational reform and model innovation with the support of the Internet result in systematic competition and platform-based development becoming new trends in the industry.

In view of the new developments, The People's Insurance Company (Group) of China Limited will firmly follow the development concept of innovation, coordination, green, open and sharing, continue to promote the customer-centered transformation, maintain steady growth, focus on reform and innovation, strengthen value creation, enhance professional capacity, deepen transformation and development and hold on to the risks bottom line to strive a good beginning in the "13th Five-year Plan" period of the Group. Firstly, we will keep concentration and firmly advance the development and transformation of the Group. It will speed up in transforming the expansion model of the motor vehicle insurance business, consolidate the basis for the transformation of the life insurance business and strengthen the building of the professional capacity in health insurance. Secondly, we will strengthen responsibility, specify the timetable, liability mechanism and appraisal criteria and accelerate in promoting the implementation and deepening of significant projects. Thirdly, we will reinforce horizontal benchmarking and actively explore market demands and development opportunities under new normal to improve the pertinency of marketing strategies. Fourthly, we will enhance vertical analysis, learn form our own successful experiences and shore up our own weaknesses. Fifthly, we will optimize allocation and strengthen strategic assets allocation and the linkage between assets and liabilities to improve the robustness and revenue of capital utilisation. Sixthly, we will strengthen internal control, practice the concept of compliance creating value, enhance the alarming and prevention of key risks, focus on the establishment of the grass-root internal control system and solidify the prevention of financial risks.

We trust that with the support of all shareholders and the efforts of all our employees, The People's Insurance Company (Group) of China Limited will be guided by new develop concepts, obtain new development momentum, make new breakthrough in reform and new achievements in value creation.

Wu Yan
Chairman

Beijing, the PRC
27 March 2016

Honors and Awards

1. Ranked the 174th in the List of Fortune Global 500

   On 22 July 2015, the Company ranked the 174th in the list of Fortune Global 500 published by the Fortune magazine in the US, 34 ranks higher than in the year 2014.

2. Awarded "Top 10 Enterprises in Caring Women"

   On 23 July 2015, the Company was awarded the prize of "Top 10 Enterprises in Caring Women" in the third "Chinese Female Charity Models" event (中華女性公益慈善典範) jointly held by China Women's Development Foundation, China Charity Information Centre and other organisations.

3. Ranked the 29th in the list of Top 500 Enterprises of China (2015)

   On 22 August 2015, the Group ranked the 29th in the list of Top 500 Enterprises of China in 2015 with business revenue of RMB351.496 billion. The Group also ranked the 16th in the list of Top 500 Service Industry Enterprises of China in 2015, and it ranked the 3rd among the insurance enterprises in the list of Top 500 Enterprises of China in 2015.

4. Awarded "Most Trustworthy Insurance Company by People"

   In November 2015, the Company was awarded the "Most Trustworthy Insurance Company by People" in the "Brand Life List" (品牌生活榜) hosted by China Comment (半月談) and China Brand magazines.

5. Awarded "Social Responsibility Award"

   In December 2015, the Company was awarded the "Social Responsibility Award" in the "Pilot China Finance Industry Innovation and Development Summit Forum and 2015 Annual Campaign Award Ceremony" ("領航中國"金融行業創新發展高峰論壇暨2015金融行業年度評選) hosted by JRJ.com with PBC School of Finance, Tsinghua University providing academic supports

6. Awarded "Outstanding Contribution Award in the Hope Project in 2015"

   In December 2015, the China Youth Development Foundation awarded the "Outstanding Contribution Award in the Hope Project in 2015" to The People's Insurance Company (Group) of China Limited.

7. Awarded "Best Insurance Company in 2015"

   In December 2015, the Company was awarded the "Best Insurance Company in 2015" in the "2015 Eastmoney Award" (2015東方財富風雲榜) hosted by eastmoney.com (東方財富網) and fund.eastmoney.com (天天基金網).

8. Awarded "Outstanding Contribution Award in Science & Technology Innovation in Financial Industry in 2015"

   On 21 January 2016, the annual outstanding contribution award in financial informationization by the *Financial Computerizing* (金融電子化) under the People's Bank of China was unveiled. The Application System Center of the Company was awarded the "Outstanding Contribution Award in Science & Technology Innovation in Financial Industry in 2015" (2015年度金融行業科技創新突出貢獻獎).

9. PICC P&C was awarded 16 awards including the "Most Influential Insurance Brand of the Year"

   On 7 November 2015, PICC P&C won 16 awards including the "Most Influential Insurance Brand of the Year" at the Eighth China Insurance Culture and Brand Innovation Forum and the Tenth China Insurance Innovation Prize Awards Presentation Ceremony by the Insurance Culture (保險文化).

10. PICC P&C was awarded "Best Property Insurance Company in Asia in 2015"

    On 27 November 2015, PICC P&C ranked the first in the 2015 "Ranking of Insurance Competitiveness in Asia" by the 21st Century Business Herald and the 21st Century Academy Financial Research Center (21世紀研究院金融研究中心) and was awarded the "Best Property Insurance Company in Asia in 2015".

11. PICC P&C was awarded "2015 Property Insurance Company with Superior Competitiveness"

    On 2 December 2015, at the Chinese Enterprises with Superior Competitiveness Annual Conference and the Financial Institutions Competitiveness Awards Presentation Ceremony organised by China Business Journal and the Chinese Academy of Social Sciences, PICC P&C was awarded the "2015 Property Insurance Company with Superior Competitiveness".

12. PICC P&C was awarded "Golden Cicada Award 2015 Best Property Insurance Company"

    On 17 December 2015, PICC P&C was awarded the "Golden Cicada Award 2015 Best Property Insurance Company" organised by China Times.

13. PICC P&C was awarded "Best Property Insurance Company in Asia in 2015"

    On 18 December 2015, PICC P&C ranked the first in the 2015 "Ranking of Insurance Competitiveness in Asia" by Financial Times and the research institute of the Chinese Academy of Social Sciences and was awarded the "Best Property Insurance Company in Asia in 2015".

14. PICC AMC was awarded "Best Asset Management Brand"

    On 28 May 2015, PICC AMC was awarded the "Best Asset Management Brand" at the seventh "Golden Financing" (金理財) organised by Shanghai Securities News.

15. PICC AMC was awarded the "Best Wealth Management Institute in China in 2015" and the "Best Insurance Asset Management in 2015"

    On 26 June 2015, PICC AMC was awarded the "Best Wealth Management Institute in China in 2015" and the "Best Insurance Asset Management in 2015" at the "Best Wealth Management Institute in China in 2015" organised by Securities Times; "PICC AMC – CRCC National Key Infrastructure Construction Equity Financing Plan" (人保資產—中國鐵建國家重點基礎設施建設項目股權投資計劃) was awarded the "Best Equity Financing Plan in 2015".

16. PICC AMC was awarded "Insurance Asset Management Company with Most Innovation Strength in 2015" and "Annuity Investment Management Institute with Most Comprehensive Power in 2015"

    On 1 August 2015, PICC AMC was awarded the "Insurance Asset Management Company with Most Innovation Strength in 2015" (2015最具創新實力保險資產管理公司) and the "Annuity Investment Management Institute with Most Comprehensive Power in 2015" (2015最具綜合實力年金投資管理機構) at the "2015 China Asset Management Golden Shell Prize" organised by the 21st Century Business Herald.

17. PICC AMC was awarded "Best Financial Brand Innovation Award in Asia"

    On 9 September 2015, PICC AMC was awarded the "Best Financial Brand Innovation Award in Asia" at the 10th Asia Brand Ceremony – 2015 Asian Financial Brands Forum.

18. PICC Health was awarded "Best Professional Insurance Company in 2015"

    On 18 December 2015, PICC Health was awarded the "Best Professional Insurance Company in 2015" with its outstanding professional advantages at the "8th Chinese Financial Institutes Gold List • Golden Dragon List" (第八屆中國金融機構金牌榜•金龍獎榜單) organised by the Financial Times.

19. PICC Health was awarded "2015 Most Trusted Professional Insurance Company of the Year"

    On 9 January 2016, PICC Health was awarded the "2015 Most Trusted Professional Insurance Company of the Year" at the 13th China Finance and Economics Billboard summit on – "Insurance Industry Develops Internet plus" jointly organised by website www.hexun.com and China Securities Market Research and Design Center.

20. PICC Life was awarded "2015 Best Corporate Culture of the Year"

    On 7 November 2015, PICC Life was awarded the "2015 Best Corporate Culture of the Year" at the Eighth Chinese Insurance Culture and Brand Innovation Forum and the Tenth Chinese Insurance Innovation Award Presentation Ceremony.

21. PICC Capital was awarded first prize in innovation competition

    On 12 November 2015, the Guangdong (PICC) equity investment plan on the industrial investment fund to revitalize and develop eastern, western and northern Guangdong initiated by PICC Capital was awarded the first prize, the highest prize, at the first insurance asset management products innovation organised by the Insurance Asset Management Association of China.

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments for reporting purposes: P&C insurance business constitutes the P&C insurance segment and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interests, respectively; life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds an 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds a 93.95% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital and PICC Asset Management (Hong Kong) Company Limited , in which the Company holds 100.0%, 100.0%, 100.0% and 100.0%, respectively.

KEY OPERATING INDICATORS

(1) Key Operating Data

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Original Premiums Income			
PICC P&C	**281,010**	252,419	11.3
PICC Life	**89,608**	78,718	13.8
PICC Health	**16,031**	15,795	1.5
Combined ratio of PICC P&C (%)	**96.5**	96.5	–
Value of one year's new business of PICC Life (1)	**3,462**	3,098	11.7
Value of one year's new business of PICC Health (1)	**283**	240	17.9
Total investment yield (%)	**7.3**	6.0	Increase of 1.3 pt

RMB in millions, except for percentages

	As of 31 December 2015	As of 31 December 2014	(% of change)
Market share (2)			
PICC P&C (%)	**33.4**	33.5	Decrease of 0.1 pt
PICC Life (%)	**5.6**	6.2	Decrease of 0.6 pt
PICC Health (%)	**1.0**	1.2	Decrease of 0.2 pt
Embedded Value of PICC Life (3)	**53,028**	45,868	15.6
Embedded Value of PICC Health (3)	**4,473**	4,313	3.7
Solvency margin ratio of the Group (%)	**157**	182	Decrease of 25 pt
Solvency margin ratio of the PICC P&C (%)	**226**	239	Decrease of 13 pt
Solvency margin ratio of PICC Life (%)	**303**	301	Increase of 2 pt
Solvency margin ratio of PICC Health (%)	**175**	187	Decrease of 12 pt

(1) The assumption of investment yield used in the calculation of Value of One Year's New Business of PICC Life and PICC Health for the 12 months up to 31 December 2014 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2014.

(2) The market share was based on the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Insurance Regulatory Commission (the "CIRC"), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

(3) The assumption of investment yield used in the calculation of embedded value of PICC Life and PICC Health as at 31 December 2014 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2014.

In 2015, by adhering to its key aspiration of "Further reform and innovation, maintenance of stable growth and emphasizing value creation", with firm confidence, the Group grasped opportunities and overcame difficulties to lay a solid foundation. The Group has shown a steady growth in its business and seen its profits increase significantly, while making an orderly advance in its reform and innovation. In 2015, the market share of PICC P&C in the P&C insurance market was 33.4%, the market share of PICC Life in life and health insurance market was 5.6% and the market share of PICC Health in life and health insurance market was 1.0%. In terms of the total written premiums ("TWPs"), the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB281,010 million, RMB95,531 million, RMB18,719 million, HKD112 million, respectively in 2015. The Group actively pursued the transformation towards "customer-orientated business" and the promotion of unified development of the Group. The TWPs generated by cross-selling among the Group's business lines grew by 13.8% to RMB26,175 million in 2015 from RMB23,004 million in 2014. As at 31 December 2015, the number of policyholders who purchased two or more types of property, life and health insurance products reached 4.784 million, a 46.2% increase compared to the same period in 2014, and the number of policies purchased by such policyholders increased to 4.72 policies per person on average.

(2) Key Financial Indicators

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Gross written premiums	**388,387**	349,169	11.2
P&C Insurance	**281,817**	253,166	11.3
Life Insurance	**90,539**	80,197	12.9
Health Insurance	**16,031**	15,806	1.4
Profit before tax	**33,970**	23,420	45.0
Net profit	**27,665**	18,715	47.8
Net profit attributable to equity holders of the Company	**19,542**	13,109	49.1
Earnings per share (RMB)	**0.46**	0.31	49.1
Weighted average return on equity (%)	**18.7**	16.0	Increase of 2.7 pt

RMB in millions, except for percentages

	As of 31 December 2015	As of 31 December 2014	(% of change)
Total assets	**843,468**	782,221	7.8
Total liabilities	**686,273**	656,644	4.5
Total equity	**157,195**	125,577	25.2
Net assets per share (RMB)	**2.74**	2.18	25.7
Gearing ratio [(1)] (%)	**81.4**	83.9	Decrease of 2.5 pt

(1) The gearing ratio refers to the ratio of total liabilities to total assets.

The Group's capital base has been further strengthened, in which total equity grew by 25.2% to RMB157,195 million as of 31 December 2015 from RMB125,577 million as of 31 December 2014. In 2015, the Group realized gross written premiums ("GWPs") of RMB388,387 million, representing a 11.2% increase from RMB349,169 million as compared to 2014. The Group's net profit grew by 47.8% to RMB27,665 million in 2015 from RMB18,715 million in 2014. Profit attributable to equity holders of the Company grew by 49.1% to RMB19,542 million in 2015 from RMB13,109 million in 2014. The weighted average return on equity of the Group increased by 2.7 percentage points to 18.7% in 2015 from 16.0% in 2014.

The net assets per share of the Group increased by 25.7% to RMB2.74 as of 31 December 2015 from RMB2.18 as of 31 December 2014. The Group's earnings per share increased by 49.1% to RMB0.46 in 2015 from RMB0.31 in 2014. The Group's gearing ratio decreased by 2.5 percentage points to 81.4% as of 31 December 2015 from 83.9% as of 31 December 2014.

P&C INSURANCE BUSINESS

In 2015, there was increasing pressure on the economy going downwards. The reform of commercial motor vehicle insurance premium rate began to be implemented. The condition was difficult as the industry competition became more intense. In response, the Group's P&C insurance segment strengthened its market benchmarking and vigorously promoted faster business development. PICC P&C realized an Original Premiums Income of RMB281,010 million. Its incremental premium remained as the top in the market and its major position in the market was effectively reinforced. The P&C insurance segment continued its solid promotion of cost-leading strategy, effectively responded the reform of premium rate of commercial motor vehicles, and adjusted its structure and control costs. Net profit exceeded RMB20,000 million and its profitability rose continuously, reaching new heights in its operating results.

(1) Analysis by Product

The following table sets forth the GWPs by product from P&C insurance segment for the reporting periods indicated:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Motor vehicle insurance	**204,271**	185,058	10.4
Commercial property insurance	**12,970**	12,975	–
Liability insurance	**11,605**	10,104	14.9
Accidental injury and health insurance	**18,561**	14,162	31.1
Cargo insurance	**3,230**	3,563	(9.3)
Agricultural insurance	**18,944**	17,143	10.5
Other P&C insurance	**12,236**	10,161	20.4
Total	**281,817**	253,166	11.3

GWPs for the P&C insurance segment increased by 11.3% to RMB281,817 million in 2015 from RMB253,166 million in 2014. The overall steady growth was largely driven by the rapid development in the motor vehicle insurance, agricultural insurance, accidental injury and health insurance and liability insurance.

GWPs for motor vehicle insurance increased by 10.4% to RMB204,271 million in 2015 from RMB185,058 million in 2014. In 2015, the growth rate in sales volume of new vehicles in the PRC showed clear signs of recline. The P&C insurance segment took a positive approach to the deregulation of premium rate of the commercial motor vehicle insurance for the segment market. The channel cooperation model was upgraded and the plan to improve renewal rate and transfer rate of quality business were implemented. Vigorous sales expenses and incentive and assessment policies were adopted. The renewal and regain of existing business were effective and vigorously drove a steady growth in the motor vehicle insurance business.

GWPs for commercial property insurance was RMB12,970 million in 2015, which was similar to RMB12,975 million in 2014. In 2015, the P&C segment proactively responded to the unfavourable situation of the economic structural adjustment and the fall in commercial property insurance premium rate and accelerated the transformation and upgrading of customer service model and channel cooperation model.

GWPs for liability insurance increased by 14.9% to RMB11,605 million in 2015 from RMB10,104 million in 2014. In 2015, P&C insurance segment led the construction of the first major technological equipment insurance pools, continuously leveraged on the advantage in areas such as underwriting technique, product development, industry research and marketing. There was rapid development of new businesses such as integrated insurance of the first major technological equipment, liability insurance of property preservation during the course of proceeding, and tradition businesses such as employer, medical and extended maintenance liability insurance.

GWPs for accidental injury and health increased by 31.1% to RMB18,561 million in 2015 from RMB14,162 million in 2014. In 2015, P&C insurance segment built professional teams through channel and platform integration. There was rapid growth in both traditional business, such as accident insurance for group and school children, and emerging business such as medical surgery, travel and rural accident insurance. At the same time, the major disease insurance business in the P&C insurance segment continually recorded surging growth, leading to a further increase in market share for the health insurance segment.

GWPs for cargo insurance decreased by 9.3% to RMB3,230 million in 2015 from RMB3,563 million in 2014, mainly the reducing insurance source from the cargo insurance market in 2015 and the continuous decrease in insurance premiums.

GWPs for agricultural insurance increased by 10.5% to RMB18,944 million in 2015 from RMB17,143 million in 2014. In 2015, P&C insurance segment was innovative and promoted crop yield, prices of agricultural product and weather index insurance. The building of integrated information platform of agricultural insurance was accelerated and the new advantage in the competition of agricultural insurance continuously increases. The agricultural insurance business maintained its rapid growth.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 20.4% to RMB12,236 million in 2015 from RMB10,161 million in 2014.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In 2015, PICC P&C planned for the Internet strategy, accelerated the transformation towards telemarketing and online sales, deepened the coordinating mechanism of property, life and health insurance.

RMB in millions, except for percentages

	For the Year Ended 31 December				
	2015			2014	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	162,617	57.9	12.1	145,095	57.5
Among which:					
Individual insurance agents	85,579	30.5	10.6	77,395	30.7
Ancillary insurance agents	52,749	18.8	1.4	52,012	20.6
Professional insurance agents	24,289	8.6	54.8	15,688	6.2
Direct sales	103,755	36.9	11.1	93,421	37.0
Insurance brokerage	14,638	5.2	5.3	13,903	5.5
Total	281,010	100.0	11.3	252,419	100.0

(3) Financial Analysis

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

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Net earned premiums	**245,110**	211,797	15.7
Investment income	**20,302**	13,079	55.2
Other income	**1,465**	1,323	10.7
Total income	**276,587**	236,187	17.1
Net claims and policyholders' benefits	**153,819**	136,322	12.8
Handling charges and commissions	**31,541**	23,388	34.9
Finance costs	**1,638**	1,631	0.4
Other operating and administrative expenses	**62,838**	56,139	11.9
Total benefits, claims and expenses	**249,505**	217,476	14.7
Profit before tax	**30,223**	21,309	41.8
Income tax expense	**(6,340)**	(4,335)	46.3
Net profit	**23,883**	16,974	40.7

Net earned premiums

Benefiting from the relatively rapid development in the businesses of motor vehicle insurance, agricultural insurance, accidental injury, health insurance and liability insurance, net earned premiums of the P&C insurance segment increased by 15.7% to RMB245,110 million in 2015 from RMB211,797 million in 2014.

Investment Income

Investment income of the P&C insurance segment increased by 55.2% to RMB20,302 million in 2015 from RMB13,079 million in 2014. This was mainly due to: firstly, the proactive seizure of opportunities in the capital market and enhancement of range trading on equities as well as timely realization of financial returns; secondly, the continual increase in allocation of resources in negotiated deposits, debt investment schemes of good credit rating and high quality, asset management products and so on.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 12.8% to RMB153,819 million in 2015 from RMB136,322 million in 2014, of which the loss ratio of PICC P&C reduced by 1.7 percentage points to 62.7% in 2015 from 64.4% in 2014. The P&C insurance segment deepened underwriting, improved claims handling, channel class management, resources allocation and professional operational capability increased and continuously optimized the structure of the motor vehicle insurance business, which led to the decrease in loss ratio.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 34.9% to RMB31,541 million in 2015 from RMB23,388 million in 2014. The increase in handling charges and commissions were mainly due to increase in business scale, increased investment in quality business and more intense market competition.

Finance costs

Finance costs of P&C insurance segment increased by 0.4% to RMB1,638 million in 2015 from RMB1,631 million in 2014. This was the same as compared to last year.

Net profit

As a result of the foregoing reasons, the net profit of P&C insurance segment increased by 40.7% to RMB23,883 million in 2015 from RMB16,974 million in 2014.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In 2015, benefiting from the rapid expansion of demand for national wealth management and insurance protection and the rapid development of the life insurance industry, the Group's life insurance segment vigorously developed the businesses of annual premium and insurance protection. The Original Premiums Income was RMB89,608 million, representing an increase of 13.8%. The Group's Life insurance segment adopted "Stabilizing growth, Emphasizing value, Strengthening the foundation" as its development philosophy and proactively seized market opportunities. It laid its foundation by reform and facilitated operation and development by innovation, gaining a favourable beginning in the first year of full implementation of strategic transformation. The PICC Life insurance segment maintained its market position, with its Original Premiums Income ranked fifth in the market.

1. *Analysis by Product*

Income from various products of the life insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December			
	2015		2014	
Life insurance products	**Amount**	**% of total**	Amount	% of total
Traditional life and health insurance	**74,512**	**83.2**	60,505	76.9
Participating life insurance	**11,495**	**12.8**	15,146	19.2
Universal life insurance	**83**	**0.1**	82	0.1
Accidental injury and short-term health insurance	**3,519**	**3.9**	2,984	3.8
Total	**89,608**	**100.0**	78,717	100.0

In terms of TWPs, in 2015, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB74,518 million, RMB14,847 million, RMB2,647 million, RMB3,519 million, respectively, of which traditional life and health insurance increased by 23.2% as compared to same period in 2014. This was primarily attributed to the growth in products with insurance protection and certain gain.

2. *Analysis by Channel*

Income of life insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Bancassurance	**56,568**	49,619	14.0
First-year business of long-term insurance	**53,135**	45,152	17.7
Single premiums	**51,852**	44,173	17.4
First-year regular premiums	**1,282**	979	31.0
Renewal business	**3,264**	4,286	(23.9)
Short-term insurance	**169**	181	(6.5)
Individual Insurance	**24,524**	19,063	28.6
First-year business of long-term insurance	**18,323**	15,079	21.5
Single premiums	**13,731**	12,934	6.2
First-year regular premiums	**4,591**	2,145	114.0
Renewal business	**4,658**	2,945	58.2
Short-term insurance	**1,543**	1,039	48.5
Group Insurance	**8,517**	10,036	(15.1)
First-year business of long-term insurance	**6,649**	8,269	(19.6)
Single premiums	**6,647**	8,278	(19.7)
First-year regular premiums	**2**	(9)	–
Renewal business	**62**	2	2,427.0
Short-term insurance	**1,807**	1,764	2.4
Total	**89,608**	78,717	13.8

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB57,236 million, RMB26,391 million and RMB11,905 million respectively for the year 2015.

In the life insurance segment, individual insurance channel accelerated its pace in building value channels, improved its professional sales ability, and achieved significant increases in first-year regular premiums income and first-year regular capacity per agent as compared to the same period in 2014. As of 31 December 2015, the number of insurance agents for the life insurance segment was 141,672. In 2015, the first-year TWPs per capita from sales agent amounted to RMB5,228 with number of new life insurance policies per capita of 2.08 per month. Bancassurance channel stabilized stable growth while focusing on value transformation, and its TWPs and first-year regular premiums achieved double digit growth as compared to the same period in 2014. The group insurance channel focused on efficiency, strived to increase the proportion of regular premium and maintain the business scale of short-term insurance in keen market competition. The new business channels focused on innovation, and business coverage expanded, while the third party cooperation channel continued to develop.

3. *Persistency Ratios of premiums*

The following table sets forth the 13-month and 25-month premium persistency ratios for individual life insurance customers of the life insurance segment for the reporting periods indicated:

	For the Year Ended 31 December	
Item	**2015**	2014
13-month premium persistency ratio (1) (%)	**88.9**	88.5
25-month premium persistency ratio (2) (%)	**84.3**	82.8

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following table sets forth certain selected key financial data of the life insurance segment for the reporting periods indicated:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Net earned premiums	**89,850**	79,822	12.6
Investment income	**21,046**	18,017	16.8
Other income	**327**	277	18.1
Total income	**111,310**	98,146	13.4
Net claims and policyholders' benefits	**97,996**	88,663	10.5
Handling charges and commissions	**4,307**	3,029	42.2
Finance costs	**1,612**	1,810	(10.9)
Other operating and administrative expenses	**6,819**	4,612	47.9
Total benefits, claims and expenses	**110,551**	98,098	12.7
Profit before tax	**3,460**	2,335	48.2
Income tax expense	**96**	(464)	–
Net Profit	**3,556**	1,871	90.1

Net earned premiums

Net earned premiums for the life insurance segment increased by 12.6% to RMB89,850 million in 2015 from RMB79,822 million in 2014, mainly due to the clear development philosophy, major products which meet the needs of market and customers.

Investment income

The investment income of the life insurance segment increased by 16.8% to RMB21,046 million in 2015 from RMB18,017 million in 2014. This was mainly due to: firstly, the seizure of opportunities in the capital market, the flexible adjustment of the proportionate positions in equities and equity fund, and the timely realization of financial returns; secondly, the continual increase in allocation of resources in negotiated deposits, debt investment schemes of good credit rating and high quality, asset management products and so on.

Other income

Other income of the life insurance segment increased by 18.1% to RMB327 million in 2015 from RMB277 million in 2014. This was mainly attributable to increase in income from management fee for deposits of policy holders.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment increased by 10.5% to RMB97,996 million in 2015 from RMB88,663 million in 2014. This was mainly attributable to increase in premium income and benefits expenses.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 42.2% to RMB4,307 million in 2015 from RMB3,029 million in 2014. This was mainly attributable to increase in premium income, optimization of business structure the increase of 45.7% in product fees as compared with 2014.

Finance costs

Finance costs of the life insurance segment decreased by 10.9% to RMB1,612 million in 2015 from RMB1,810 million in 2014. This was mainly attributable to the decrease in interest expenses of financial assets sold under agreements to repurchase as well as the decrease in interests credited to policyholder's deposits and investment amounts.

Net profit

Mainly attributable to the factors mentioned above, the net profit of the life insurance segment increased by 90.1% to RMB3,556 million in 2015 from RMB1,871 million in 2014.

(2) Health Insurance

In 2015, by following the guidance of "Speed Up Transformation and Develop through Innovation", and insisting on the operational direction of "Profession with feature, transformation with effectiveness, turnaround with results", the health insurance segment of the Group utilised its professional capacity to upgrade its management and service, and continuously enhanced value creation abilities. The Group's health insurance segment vigorously promoted the coordinated development of the three major business segments, namely government commission business, business health insurance business and health management business. The business scale grew steadily. The Group's health insurance segment adjusted and optimized product portfolio. Business with high embedded value grew rapidly. First year regular premium individual insurance premiums increased by 87.4% as compared to 2014. The group insurance and short-term insurance premiums increased by 7.9% as compared to 2014. The value of one year's new business increased by 17.9% as compared to 2014. The net loss for 2015 decreased by 64.8% as compared to 2014.

1. *Analysis by Product*

Income from various products of the health insurance segment for the purpose of Original Premiums Income for the reporting period is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December			
	2015		2014	
Health insurance products	**Amount**	**% of total**	Amount	% of total
Illness insurance	**357**	**2.2**	259	1.6
Medical insurance	**5,932**	**37.0**	5,502	34.8
Disability losses insurance	**86**	**0.5**	78	0.5
Nursing care insurance	**8,768**	**54.7**	9,099	57.6
Accidental injury insurance	**457**	**2.9**	388	2.5
Participating endowment insurance	**432**	**2.7**	480	3.0
Total	**16,031**	**100.0**	15,806	100.0

In terms of TWPs, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance in 2015 amounted to RMB357 million, RMB8,343 million, RMB86 million, RMB9,045 million, RMB457 million and RMB432 million, respectively.

2. *Analysis by Channel*

Income from various products of the health insurance segment by distribution channel for the purpose of Original Premiums Income during the reporting period, which are further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel are as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Bancassurance	**7,787**	8,969	(13.2)
First-year business of long-term insurance	**7,517**	8,700	(13.6)
Single premiums	**7,399**	8,591	(13.9)
First-year regular premiums	**118**	109	8.3
Renewal business	**265**	266	(0.4)
Short-term insurance	**5**	3	66.7
Individual Insurance	**1,769**	845	109.3
First-year business of long-term insurance	**1,398**	579	141.5
Single premiums	**1,175**	460	155.4
First-year regular premiums	**223**	119	87.4
Renewal business	**287**	195	47.2
Short-term insurance	**84**	71	18.3
Group Insurance	**6,475**	5,992	8.1
First-year business of long-term insurance	**18**	9	100.0
Single premiums	**17**	9	88.9
First-year regular premiums	**1**	–	–
Renewal business	**3**	3	–
Short-term insurance	**6,454**	5,980	7.9
Total	**16,031**	15,806	1.4

In terms of TWPs, the TWPs from the bancassurance, individual insurance and group insurance in 2015 amounted to RMB7,865 million, RMB1,971 million and RMB8,883 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 31 December 2015, the number of sales agents for the health insurance segment was 19,352. The first year TWPs of new insurance policies for 2015 amounted to RMB3,010 per sales agent per month and the monthly new insurance polices were 0.72 per sales agent per month. The Bancassurance channel actively seized opportunities, enhanced efforts in supervision and training, intensified channel cooperation relationship, continuously improved the professional skills, and actively conducted transformation of business structure, achieving good results for business development. First-year regular new policy premium increased by 8.3% as compared with 2014. With regard to the group insurance channel, business development potential was further. 315 business projects were undertaken during the year, serving 144 million people, thereby accelerated “PICC model”.

3. *Persistency Ratios of premiums*

The following table sets forth the 13-month and 25-month premium persistency ratios for individual health insurance customers of the health insurance segment for the reporting periods indicated:

	For the Year Ended 31 December	
Item	**2015**	2014
13-month premium persistency ratio (1) (%)	**77.9**	81.0
25-month premium persistency ratio (2) (%)	**76.1**	76.8

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following tables sets forth certain selected key financial data of the health insurance segment for the reporting periods indicated:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Net earned premiums	**14,351**	13,995	2.5
Investment income	**2,070**	1,533	35.0
Other income	**101**	90	12.2
Total income	**16,403**	15,709	4.4
Net claims and policyholders' benefits	**14,328**	13,775	4.0
Handling charges and commissions	**448**	321	39.6
Finance costs	**407**	575	(29.2)
Other operating and administrative expenses	**1,431**	1,426	0.4
Total benefits, claims and expenses	**16,608**	16,097	3.2
Profit before tax	**(205)**	(388)	–
Income tax expense	**69**	2	3,350.0
Net profit	**(136)**	(386)	–

Net earned premiums

Net earned premiums of the health insurance segment increased by 2.5% to RMB14,351 million in 2015 from RMB13,995 million in 2014. This was mainly attributable to the adjustment in business structure and short-term and traditional long-term insurance business.

Investment income

Investment income from the health insurance segment increased by 35.0% to RMB2,070 million in 2015 from RMB1,533 million in 2014. This was mainly attributable to the seizure of opportunities in the capital market, the flexible adjustment in the proportionate position of equities and equity fund, and timely realization of financial returns.

Other income

Other income from the health insurance segment increased 12.2% to RMB101 million in 2015 from RMB90 million in 2014. This was mainly attributable to the increase in income from the health management business and the clearance of overdue payables.

Net claims and policyholders' benefits

Net claims and policyholders' benefits from the health insurance segment increased by 4.0% to RMB14,328 million in 2015 from RMB13,775 million in 2014. This was mainly attributable to rapid growth in the short-term insurance business and the corresponding increase in the amount of unclaimed reserves.

Handling charges and commissions

Handling charges and commission of the health insurance segment increased by 39.6% to RMB448 million in 2015 from RMB321 million in 2014. This was mainly attributable to the adjustment in business structure and the increase in short-term insurance and tradition long-term regular premium business.

Finance costs

Finance costs of the health insurance segment decreased by 29.2% to RMB407 million in 2015 from RMB575 million in 2014. This was mainly attributable to the decrease in interest expenses of universal products.

Net profit

Mainly due to the factors mentioned above, the net profit from the health insurance segment amounted to -RMB136 million in 2015 compared to net profit of -RMB386 million in 2014, representing a decrease in net loss of 64.8% as compared to the same period.

Analysis of Original Premiums Income by Region

The following table sets forth the Original Premiums Income from the insurance business of the Group in the PRC by region for the reporting periods indicated:

RMB in millions

	For the Year Ended 31 December	
	2015	2014
Jiangsu Province	**34,287**	29,263
Guangdong Province	**32,396**	30,609
Zhejiang Province	**27,225**	25,014
Shandong Province	**24,050**	22,115
Hebei Province	**23,468**	19,161
Sichuan Province	**22,170**	20,255
Beijing	**19,147**	18,664
Fujian Province	**15,863**	14,152
Liaoning Province	**14,208**	12,651
Hubei Province	**13,527**	12,710
Other regions	**160,310**	142,349
Total	**386,649**	346,943

Asset management business

In 2015, the Group's asset management segment overcame difficulties such as declining interest rates and stock market volatility. It proactively allocated assets with high gains and maintained the stability of the revenue level of assets being held. It seized opportunities in the volatile stock market to gain at appropriate moments and optimized the internal structure. It made strategic investment plans and completed major investment projects including Neusoft, Ant Small and Micro Financial Services and China IC Fund. On the basis of developing traditional equity and debt products, the asset management segment actively explored numerous product models such as small loans supporting agriculture. It developed the asset-backed scheme with financial leasing assets as base assets and a series of "Anxin" products. The equity linked products of the asset management segment had a registered scale of RMB5,600 million, ranking second in the industry. The debt linked products had a registered scale of RMB22,830 million, ranking third in the industry. The registered scale of asset-backed scheme was RMB3,500 million. PICC AMC recorded rapid growth in the scale of entrusted third-party and the offered insurance assets management products, which recorded an increase of 95.7% to RMB209,465 million as of 31 December 2015 from RMB107,021 million as of 31 December 2014.

Investment income of the asset management segment of the Group does not include the investment income generated by the investment assets managed by the asset management segment on behalf of the Group's insurance segments. The investment income generated by the investment assets managed by the asset management segment on behalf of the other segments are included in the investment income of the relevant segment.

The following table sets forth the income statement data of the asset management segment for the reporting periods indicated:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Investment income	**640**	480	33.3
Other income	**1,139**	921	23.7
Total income	**1,779**	1,401	27.0
Finance costs	**8**	14	(42.9)
Other operating and administrative expenses	**895**	818	9.4
Total expenses	**902**	839	7.5
Profit before tax	**865**	572	51.2
Income tax expense	**(230)**	(181)	27.1
Net profit	**635**	391	62.4

Investment income

Investment income from the asset management segment increased by 33.3% to RMB640 million in 2015 from RMB480 million in 2014, primarily because the financial gains promptly realized as a results of capital market performing well in the first half year of 2015.

Other income

Other income from the asset management segment increased by 23.7% to RMB1,139 million in 2015 from RMB921 million in 2014, primarily due to the steady growth in asset management size.

Finance costs

Finance costs for the asset management segment decreased by 42.9% to RMB8 million in 2015 from RMB14 million in 2014, primarily due to the decrease in interest expenses of financial assets sold to repurchase.

Net profit

Subject to the above reasons, net profit of the asset management segment increased by 62.4% to RMB635 million in 2015 from RMB391 million in 2014.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment portfolio

The following table sets forth certain information regarding the composition of the investment portfolio as of the dates indicated:

RMB in millions, except for percentages

	As of 31 December 2015		As of 31 December 2014	
Investment assets	**Carrying amount**	**% of total**	Carrying amount	% of total
Cash and cash equivalents	**49,884**	**6.7**	39,307	5.7
Fixed-income investments	**393,503**	**53.0**	414,262	59.9
Term deposits	**148,097**	**19.9**	164,408	23.8
Fixed-income securities	**232,147**	**31.3**	235,905	34.1
Government bonds	**12,942**	**1.7**	13,975	2.0
Financial bonds	**107,578**	**14.5**	113,499	16.4
Corporate bonds	**111,627**	**15.0**	108,431	15.7
Other fixed-income investments (1)	**13,259**	**1.8**	13,949	2.0
Equity and fund investments at fair value	**109,663**	**14.8**	69,224	10.0
Securities investment funds	**77,755**	**10.5**	50,227	7.3
Equity securities	**31,908**	**4.3**	18,997	2.7
Other investments	**189,771**	**25.5**	168,376	24.4
Subordinated debts and debt investment schemes	**100,355**	**13.5**	83,200	12.0
Investments in associates and joint ventures	**53,308**	**7.2**	36,128	5.2
Others (2)	**36,108**	**4.9**	49,048	7.1
Total investment assets	**742,821**	**100.0**	691,169	100.0

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) Primarily consist of investment properties, derivative financial assets, equity investments stated at cost and asset management products.

(2) Investment income

The following table sets forth certain information relating to the investment income of the Group for the reporting periods indicated:

RMB in millions, except for percentages

Items	For the Year Ended 31 December 2015	2014
Cash and cash equivalents	**539**	430
Fixed-income investment	**20,905**	21,668
Interest income	**20,656**	21,411
Net realized gains/(losses)	**255**	200
Net unrealized gains/(losses)	**20**	57
Impairment	**(26)**	–
Equity and fund investments at fair value	**16,768**	5,851
Dividend income	**4,581**	4,546
Net realized gains/(losses)	**12,141**	2,652
Net unrealized gains/(losses)	**185**	308
Impairment	**(139)**	(1,655)
Other investment income/(loss)	**12,615**	11,322
Total investment income	**50,827**	39,271
Total investment yield (1) (%)	**7.3**	6.0
Net investment yield (2) (%)	**5.5**	5.8

(1) Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase) / (the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase).

(2) Net investment yield = (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under agreements to repurchase) / (the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase).

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. *Liquidity Analysis*

The liquidity of the Group was mainly derived from premiums, net investment income, cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arose from surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefits, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

Since the Group generally collects premiums before the payment of insurance claims or benefits, the cash flow from operating activities of the Group generally records a net inflow. At the same time, the Group maintained a certain proportion of assets with high liquidity to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the disposal of securities sold under agreement to repurchase and other financing methods.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries. The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements of the Group and the Company in the foreseeable future.

2. *Statement of Cash Flows*

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2015	2014	(% of change)
Net cash flow from/(used in) operating activities	**20,441**	(399)	–
Net cash flow from investment activities	**10,902**	4,183	160.6
Net cash flow used in financing activities	**(20,915)**	(11,092)	88.6

(2) Solvency

The Group calculated and disclosed the actual capital, minimum capital and solvency margin ratio in accordance with relevant CIRC requirements. According to CIRC requirements, the solvency margin ratio of domestic insurance companies in the PRC shall reach the required level.

RMB in millions, except for percentages

	As of 31 December 2015	As of 31 December 2014	(% of change)
PICC Group			
Actual capital	**141,821**	127,194	11.5
Minimum capital	**90,521**	70,004	29.3
Solvency margin ratio (%)	**157**	182	Decrease of 25 pt
PICC P&C			
Actual capital	**85,356**	79,440	7.4
Minimum capital	**37,831**	33,290	13.6
Solvency margin ratio (%)	**226**	239	Decrease of 13 pt
PICC Life			
Actual capital	**36,599**	34,654	5.6
Minimum capital	**12,082**	11,529	4.8
Solvency margin ratio (%)	**303**	301	Increase of 2 pt
PICC Health			
Actual capital	**3,191**	3,206	(0.5)
Minimum capital	**1,826**	1,718	6.3
Solvency margin ratio (%)	**175**	187	Decrease of 12 pt

As of 31 December 2015, the solvency margin ratio of the Group was 157%, representing a decrease of 25 percentage points as compared to 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 31 December 2015, the solvency margin ratio of PICC P&C was 226%, representing a decrease of 13 percentage points as compared to 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 303%, representing an increase of 2 percentage points as compared to 31 December 2014 and remained in Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 175%, representing a decrease of 12 percentage points as compared to 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC.

PROSPECTS

(1) Market Environment

In 2015, the Chinese insurance market was in stable condition. The insurance business grew rapidly, the business structure was further optimized and operating efficiency substantially increased, enabling the industry to build from strength to strength. According to data published by the CIRC, the Original Premiums Income of the Chinese insurance industry in 2015 was approximately RMB2.4 trillion, representing an increase of 20.0% compared to the same period last year. The development of the industry reached its highest in nearly 7 years. The Original Premiums Income of the P&C insurance companies and life and health insurance companies recorded an increase of 11.6% and 25.0% respectively as compared to the same period last year. By the end of 2015, the total assets of the insurance industry in China amounted to RMB12.4 trillion, representing an increase of 21.7% from the beginning of the period.

2016 is the first year in taking on the challenge of the full-fledged development of moderately prosperous society. From a macroeconomic point of view, the Chinese economy is progressing towards a stage with better form and more reasonable structure. The fundamentals for long-term favourable development trend remain intact. The insurance industry of China is still on solid ground for rapid growth.

From the perspective of policy direction, structural reform of the supply side will add momentum to industrial development. The guidance and exploration of new insurance demands requires the efforts of operators and innovation of the system. The large number of policies launched recently will turn substantial potential demand for insurance into actual demand through system enhancements. The central rural work conference emphasized the upgrade and expansion of rural insurance and development of new insurance categories available to the market in large supply. The central government issued “The Opinion on Improving Diversified Dispute Resolution Mechanism”, clearly suggesting to speed up the promotion of liability insurance. Health insurance involving tax incentives was officially introduced. Pilot testing on annuity insurance involving tax incentives is expected to be implemented this year, which will create a huge market for such products.

From the regulatory perspective, further market reform of the insurance market will cause the industry to focus more on refined management and value repositioning. At the upfront, large insurance companies with high quality management and economies of scale are likely to maintain their leading position. At the backend, with the implementation of “China Risk Oriented Solvency System”, the practical new option for major operators will be lower capital requirement and high value creation.

From the market competition perspective, systematic competition and platform development will become the new trend in the industry with the Internet-based organizational reform and model innovation. Against the backdrop of technological reforms, some operators speed up organizational innovation, mechanism innovation and innovation in business model with the support of the Internet and information technology in response to customers’ consolidated demand, which has become a new driving force for changes in the insurance and finance industry. From now on, insurance service will not be of single attribute but will be closely connected with the productive life style of customers. Setting scenarios and extending services are required along the value chain of customers’ needs.

(2) Key Tasks

2016 is the first year of the 13th five-year plan of the Company. The Company will firmly establish the philosophy of innovation, coordination, environmental protection, openness and sharing. We will continue the transformation towards "customer-oriented business", maintain a stable growth, focus its effort in reform and innovation, strengthen value creation, enhance professional capability, deepen transformation, insist on risk control while striving to gain a good head start. The Company will remain determined in promoting the transformation of the Group, speeding up the change in expansion model of motor vehicle insurance, reinforcing the transformation foundation of life insurance and strengthening the building of professional capability of health insurance. The Company will become more committed to accountability, proceeding with scheduled timeline, enforcing the accountability system and assessment standards and the effective launch of key reform projects. The Company will strengthen horizontal benchmarking against both the market and the industry, exploring market demands and development opportunities under the New Normal. It will draw reference from the experience of other entities to enhance focus of market strategy and take initiative in market expansion. Vertical analysis will be strengthened. The Company will make improvement on its weaknesses by reviewing its own successful stories. Allocation will be optimized. There will be stronger strategic asset allocation and closer ties between assets and liabilities, further enhancing the prudent utilization of capital and profitability. Internal control will be strengthened through alert and control of key risks, specifically focusing on the building of grass-root internal control mechanism and reinforcing the defense against financial risks.

In 2016, our subsidiaries will maintain stable growth. Increasing development efficiency is of the highest priority so as to facilitate the achievement of the overall development goals of the Group.

PICC P&C will adhere to benchmarking and facilitate stable growth with innovative development. It will position itself precisely in the full-fledged development of moderately prosperous society. It will continuously increase the degree of production innovation and business expansion and enhance precision of pricing and delivery. The overall strategy of rigorous cost control will be implemented to contain costs and create higher efficiency through innovative operation. Elements and structure of fees and costs will undergo comprehensive optimization. Strategic synergy is promoted through innovative service. The synergy among product lines, among channels and between product lines and channels will be strengthened. We will strengthen business synergy among health insurance, life insurance and the investment segment and also synergy in the industrial chain with strategic partners.

PICC Life will accelerate repositioning in full gear and win further consensus on business transformation. Focus will be on the transformation of existing products and channels towards independent marketing and long-term regular premium products for building a sustainable business model. The foundation for transformation will be further reinforced, dedicated in promoting reform in human resources and financial system. Efforts will be spent in promoting multi-dimensional accounting and stronger management and service capability at state and provincial levels, forming strong sales support and management service capability. Transformation will be further pushed forward. With product innovation and team building as breakthrough, enrichment of the high-value product system and the building of urban sales team of high quality will be accelerated. Business acquisition costs will be lowered in effect and the liability structure will be optimized.

PICC Health will stand firm in its development transformation, accelerate the upgrade of business development model of government commission as well as its typical business model. The development of commercial health insurance will be accelerated, highlighting the characteristics of health and enhancing professional capability. The establishment of collaborating service network, such as medical care, nursing care and health management centre, will speed up. The refined management of cost accounting will be strengthened, reducing cost of debt and preventing the risk of loss from interest rate differential.

In the investment segment, there will be stronger market analysis and building of investment capability, further increasing the contribution to the overall profit of the Group and strategic asset allocation will be strengthened. With better allocation of traditional assets and stable investment return, we can move forward to strategic asset allocation, focusing on the industrial chain of elderly care, health and Internet finance of the Group. The ties between assets and liabilities will be strengthened, focusing on the structural characteristics of life and health insurances for proper handling of reserve of quality investment projects, participation in product design of life and health insurances, preventing the risk of asset misallocation and to lock in the revenue from interest rate differential. Meanwhile, we will participate actively in social wealth management. New sources of capital management will be explored through innovative formulation of asset management products and other effective measures such as stronger expansion of non-insurance third-party capital.

CAPITAL EXPENDITURE

The capital expenditure of the Group primarily consists of property construction, acquisition of motor vehicles for business needs and development of information systems. Capital expenditure of the Group amounted to RMB3,551 million in 2015.

PLEDGE OF ASSETS

Beijing No. 88 West Chang'an Avenue Development Company ("No. 88 Development Company"), a subsidiary of the Company, obtained a loan from China Construction Bank, the outstanding balance of which amounted to RMB 980 million and RMB687 million as at 31 December 2015 and 31 December 2014, respectively. No. 88 Development Company has pledged its property located at No. 88 of West Chang'an Avenue in Beijing (net assets as at 31 December 2015: RMB3,735 million; net assets as at 31 December 2014: RMB3,554 million) for security.

Besides, certain subsidiaries of the Company sold and repurchased securities in the market for liquidity management. During the course of transaction, securities held by the Company's subsidiaries were pledged for such transactions. As at 31 December 2015, the carrying amount of relevant securities was RMB43,635 million.

BANK BORROWINGS

Besides the subordinated debts issued by the Group and the repurchase business disposed of in the investment business, the bank borrowings of the Group were RMB980 million. Details of the subordinated debts are set out in Note 36 to the consolidated financial statements, and details of the bank borrowings are set out in Note 35 to the consolidated financial statements.

CONTINGENCIES

There were a number of outstanding litigation matters against the Group as of 31 December 2015. The Company's management believes such litigation matters will not cause significant losses to the Group.

Due to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, such as litigation and arbitration. Such legal proceedings primarily involve claims on its subsidiaries' insurance policies, but may also involve litigation and arbitration not related to our policies. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

MAJOR ACQUISITIONS AND DISPOSALS

During the report period, the Group had no major disposals. With regard to the Group's major acquisitions, please refer to the "Significant Events" section in this report.

Major Risk Factors

Major risks and uncertainties faced by the Group are listed below. Besides those listed below, there may be other risks and uncertainties.

Macro environment risk

Changes in international and domestic economic conditions will be transferred to the insurance industry through multiple channels and will have significant effects on the operation management and investment of insurance companies. The change in macroeconomic environment is one of major risks faced by the Group. The Group attaches great importance to the study on macro policies and external economic conditions and actively conducts and responds macro environment analysis.

Insurance risk

Insurance business is one of the main businesses operated by the group. The adverse deviations between the actual experiences and the expectations on the loss ratios, the happening of losses, the fees and the surrenders which result in insurance risks faced by the Group. We assess and monitor insurance risks by using sensitivity analysis, stress test and other technologies. We also strengthen the management of the processes if the insurance business through the implementation of an effective product development and management system, a reasonable and sound assessment on reserves, prudent underwriting and claims handling processes as well as multi-layered reinsurance mechanisms and other measures to control insurance risks.

Market risk

The fair value or future cash flows of a financial instrument held by the Group will fluctuate because of changes in market prices, which exposes us to market risk. Major market risks faced by us include interest rate risk, exchange rate risk and price risk. We use multiple methods to manage market risks, including the use of sensitivity analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; the mitigation of market risks through a diversified investment portfolio; the implementation of investment risk budget management and tracking of risk control results. In addition, we control foreign exchange risk by controlling the foreign exchange balances, increasing the gain on investment in foreign currency assets etc depending on the changes in exchange rates. We also manage and hedge against our interest rate risk by adjusting our portfolio composition, managing, to the extent possible, the average duration and maturity of our portfolio and using financial derivatives, such as interest rate swaps. For relevant conditions, please refer to Note 44 to the consolidated financial statements.

Credit risk

When the counterparty fails to perform or cannot timely perform its contractual obligations, or the adverse changes on the credit of the counterparty may result in unexpected losses, it may expose the Group to credit risks. We consistently improve credit risks assessment and track and monitor credit risks dynamically and improve the internal credit rating system. We will increase the diversification of fixed income investment portfolios, strictly control insurance receivables and losses on bad debts, strengthen the credit management on the counterparty and reasonably control the subject, geographical and industrial concentration of the investment business to control credit risks.

Liquidity risk

For an enterprise primarily engaging in transact insurance business, the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. If it has insufficient funds or is unable to liquidate a position in a timely manner at a reasonable price to meet obligations as they become due, the Group will face liquidity risks. The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group manages liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies, strengthen the daily monitoring and analysis on cash flow as well as the management of client expectation and provide renewal and transfer of policies and other services to mature customers to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

Information system risk

Failures of or inadequacies in our information technology systems could have a material adverse effect on our business, financial condition, operational results and prospects, which will expose the Group to information system risks. The proper functioning of our data system, management system and communication system is critical to our operations and our ability to compete effectively. Our business activities would be materially disrupted in the event of a partial or complete failure of any of these information technologies or communications systems. We will constantly strengthen to guarantee the security of the information system, identify various network and information security risks and enhance the routine management of information security to control information system risks.

Compliance risk

The China Insurance Regulatory Commission, the People's Bank of China and other PRC governmental authorities will conduct examinations on our compliance with PRC laws and regulations. The regulators may impose penalties and/or sanctions on us for non-compliant operations and management activities of the Group and our staff, which exposes the Group to compliance risks. We constantly establish compliance management mechanisms, strengthen inspections on, training and publicity on compliance as well as the establishment of a compliance culture. We conduct compliance self-inspection on a regular basis, strengthen audit and inspection and carefully carry out rectification to control compliance risks.

Directors, Supervisors, Senior Management and Employees

EXECUTIVE DIRECTORS

Mr. Wu Yan, aged 54, is an Executive Director and the Chairman of the board of directors of the Company (the "Board"), and a Senior Economist. Mr. Wu is a member of the 17th and the 18th National Congress of the Communist Party of China and a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference. From July 1985 to August 1998, he served successively as the deputy secretary of the league committee of the Communist Youth League of Xinjiang Autonomous Region, the party secretary of the Communist Party Committee of the city of Bole, Xinjiang, a member of the Standing Committee of Bortala Mongol Autonomous Prefecture Communist Party Committee, the party secretary (bureau-level) of the Communist Youth League of Xinjiang Autonomous Region and the vice minister (bureau-level) of the Organization Department of the Central Committee of the Communist Youth League. From August 1998 to August 2003, he was the party secretary of the Finance League of the Central Committee of the Communist Youth League and the vice minister of the United Front and Mass Work Department of the Central Finance League, and the president of the National Finance Youth Union. He served as the deputy general manager of China Life Insurance (Group) Company from August 2003 to January 2007. Meanwhile, he also served as president of China Life Insurance Asset Management Company Limited from August 2003 to January 2006 and president of China Life Insurance Company Limited (listed on the Shanghai Stock Exchange, stock code: 601628; the Hong Kong Stock Exchange, stock code: 2628; and the New York Stock Exchange, stock code: LFC) from January 2006 to January 2007. Mr. Wu was appointed as the general manager (president) of the Company in January 2007, and Executive Director, the Chairman of the Board and president (but ceased to be president since March 2012) since September 2009 when the Company completed the share transformation. Mr. Wu is also the chairman of the board of directors of PICC P&C since March 2007, PICC Life since April 2007, PICC AMC since January 2008 and PICC Health since April 2014. Mr. Wu has been a director of The Geneva Association since June 2010. Mr. Wu was awarded the Special Government Allowance by the State Council of the PRC (the "State Council") in March 2011. Mr. Wu graduated from Xinjiang College of Finance and Economics (now known as Xinjiang University of Finance and Economics) in July 1981, and graduated from the graduate school of the Chinese Academy of Social Sciences in July 2002 with a Doctoral Degree in Economics.

Mr. Wang Yincheng, aged 55, is an Executive Director, Vice Chairman and president of the Company, and a Senior Accountant. Mr. Wang joined the Company in August 1982 and until July 2003, served successively as deputy general manager (in charge of daily operations) of the Planning and Finance Department, general manager of the Shenzhen branch and assistant to the general manager of the Company. Mr. Wang was appointed as vice president and chief financial officer of PICC P&C in July 2003; vice-chairman and president from August 2008 to October 2013; and an executive director in July 2003. Since December 2013, Mr. Wang has been reappointed as a non-executive director. He also served as a director of PICC AMC from November 2006 to April 2010. In March 2009, Mr. Wang was appointed as the vice-president of the Company and an Executive Director and vice president in September 2009. Since October 2013, Mr. Wang has been appointed as Executive Director, Vice Chairman and president. Mr. Wang has been the deputy president of the Insurance Association of China from September 2008 to January 2014 and deputy president of the China Association of Actuaries since April 2011 to May 2014 as well as the vice chairman of the Insurance Institute of China since January 2014. Mr. Wang graduated from Shanxi College of Finance and Economics now known as Shanxi University of Finance and Economics) in July 1982 with a Bachelor's Degree in Economics and graduated from Zhongnan University of Economics and Law in December 2003 with a Doctoral Degree in Economics.

Ms. Zhuang Chaoying, aged 57, is an Executive Director, a vice president of the Company and a Deputy Editor and Senior Enterprise Risk Manager. Ms. Zhuang worked at the Organization Department of the CPC Central Committee from July 1985 to December 2006, serving successively as deputy division director of the Party's Foreign Affairs Cadres Bureau, director of the Editorial Office II and deputy chief editor (deputy bureau level) of the Party Building Books Publishing House, deputy inspector of the Cadres Bureau IV and deputy director of the Cadres Bureau IV in August 2003. Ms. Zhuang has been a deputy general manager (vice president) of the Company since December 2006 and an Executive Director since March 2014. She also served as chairman of the board of supervisors of PICC Life since August 2007. Ms. Zhuang did not hold any directorship in any other listed companies in the last three years. Ms. Zhuang has also been a director of The Insurance Institute of China since November 2011 and a vice chairman since January 2014. Ms. Zhuang graduated from Shandong University in January 1982 with a Bachelor's Degree in Philosophy and obtained a Master of Business Administration Degree from the China Europe International Business School in September 2010.

Mr. Li Yuquan, aged 50, is an Executive Director, a vice president of the Company and a Researcher. Mr. Li joined the Company in July 1994 and until July 2003, served successively as office deputy division director and director, deputy general manager of the Market Development Department and general manager of the Legal Department. Mr. Li served as a vice president of PICC P&C from July 2003 to August 2007 and general manager of its Legal Department from July 2003 to March 2006, general manager of its Shanghai branch from May 2004 to December 2005 and its compliance controller from February 2007 to August 2007. Mr. Li served as vice chairman of the board of directors and president of PICC Health from August 2007 to September 2013, and vice president of the Company since March 2011 and an Executive Director since June 2015. During the past three years, Mr. Li has not served as a director of any listed company. Mr. Li was awarded the qualifications of Committee Member and Arbitrator of the China International Economic and Trade Arbitration Commission, Committee Member, Arbitrator and Member of the Expert Consultation Committee of the China Maritime Arbitration Commission in April 2001 and Arbitrator of the Beijing Arbitration Committee in September 2003 and vice chairman of the Expert Consultation Committee of the China Maritime Arbitration Commission in April 2014. Mr. Li was awarded the qualifications of Arbitrator of the Shanghai International Economic and Trade Arbitration Commission in May 2015, and Arbitrator of the South China International Economic and Trade Arbitration Commission in December 2015. Mr. Li served as a director of The Insurance Institute of China from November 2011 to January 2014 and as vice chairman of China Maritime Law Association from May 2014. Mr. Li served as executive director of the China Academy of Arbitration Law since March 2015, and as a member of the foreign-related Maritime law panel of the Supreme People's Court since July 2015. Mr. Li was awarded the Special Government Allowance by the State Council in August 2005. Mr. Li graduated from Zhejiang University in July 1986 with a Bachelor's Degree in Law and obtained a Master's Degree in Law in July 1989 and a Doctoral Degree in Law in July 1994 from Wuhan University.

NON-EXECUTIVE DIRECTORS

Mr. Yao Zhiqiang, aged 58, is a Non-executive Director of the Company and a Senior Accountant. Mr. Yao was a teacher of the economics department, vice-officer of the school office and chief of finance department in Liaoning Province Grain School from 1982 to 1987. Mr. Yao was the senior staff and deputy director of the Central Enterprise Department of Liaoning Provincial Department of Finance from 1987 to 1995. He was the chief director and assistant commissioner of Liaoning Commissioner Office of Department of Finance from 1995 to 2003 and a party member, deputy inspector and inspector of Liaoning Commissioner Office of Department of Finance since 2003 until now. Mr. Yao has been a Non-executive Director of the Company since March 2014. Mr. Yao did not hold any directorship in any other listed companies in the last three years. He graduated from Liaoning Finance Institute with a major in business administration in 1982.

Mr. Wang Qiao, aged 58, is a Non-executive Director of the Company. He served in the People's Liberation Army as a force warrior of team 39172, group leader of team 39420 and staff officer from 1977 to 1989. Mr. Wang was also the section chief of the Cultural, Educational, Administrative and Financial Department of the Department of Finance, secretary of Public Expenditure Department and secretary and chief of Administration, Politics and Law Division from 1989 to 2011. He has been appointed as the deputy inspector of the Administration, Politics and Law Division of the Department of Finance since September 2011. Mr. Wang has been a Non-executive Director of the Company since March 2014. Mr. Wang did not hold any directorship in any other listed companies in the last three years. He graduated from Air Force Engineering College majored in automatic control and Distance Learning Institute of the Chinese Communist Party majored in economics.

Ms. Hua Rixin, aged 56, is a Non-executive Director of the Company and a senior economist. Ms. Hua started her career in September 1977. From April 1981 to August 2002, she worked in four departments in the Yunnan Provincial People's Government General Office for 21 successive years, during which she worked as officer, deputy head and head of the reception department of the General Office, chief officer of fourth secretary office (politics, laws and race division), chief officer and assistant researcher of sixth secretary office (science, education, culture, health and sport division) and researcher of second secretary office (financial auditing, taxation and personnel of industry and commerce, economics and finance and tobacco division). From 1996 to August 2002, she was the designated secretary for provincial leaders. From August 2002 to February 2004, she worked as the chief officer at the Yunnan branch office of China Development Bank. In February 2004, she worked in the Yunnan office of the CIRC and served successively as the head of general management bureau, chief officer of general office, member of CPC committee and assistant president, member of CPC committee and vice president, member of CPC committee, vice president and secretary of the disciplinary committee, deputy secretary to the CPC committee, president, secretary to the CPC committee and president. Since May 2015, she has been working as an inspector of the general office of the CIRC. Ms. Hua has been a Non-executive Director of the Company since October 2015. Ms. Hua did not hold any directorship in any other listed companies in the last three years. Ms. Hua graduated from the Adult College of Southwest Finance University in August 2004.

Ms. Cheng Yuqin, aged 54, is a Non-executive Director of the Company and an accountant. After graduation from university, she joined the Central Iron & Steel Research Institute under the Ministry of Metallurgy in July 1983. From December 1992 to June 1994, she worked in the Capital Checkup and Verification Steering Office under the State Council. From June 1994 to May 1998, she was the deputy head of the assessment department of the State-owned Assets Administration Bureau. From May 1998 to June 2007, she worked in the Ministry of Finance as a researcher of the asset and capital verification division under the assessment department, and a researcher of general division of the finance department. From June 2007, she worked successively in the insurance and equity management department, non-bank department, securities institution management department/insurance institution management department in Central Huijin Investment Company Limited. Since April 2012, she has been working as the chief officer of insurance institution and equity management division of the securities institution department/insurance institution management department. She was designated as a director of China Reinsurance (Group) Corporation from June 2007 to December 2014. Ms. Cheng has been a Non-executive Director of the Company since October 2015. Ms. Cheng graduated from Zhejiang Jiaxing College in July 1983 and graduated from the postgraduate department of the Party School in July 2008.

Mr. Li Fang, aged 58, is a Non-executive Director of the Company. He was admitted to Beijing Iron and Steel Institute in December 1976 and joined Jiangxi Provincial Institute of Materials after graduation in August 1980. He was transferred to work at the Science and Technology Commission of Jiangxi Province in September 1984. From October 1988 to November 1996, he served successively as deputy director of labour and personnel department of the Science and Technology Commission of Jiangxi Province, director of Jiangxi Province Science and Technology Development Center, manager of Provincial Science and Technology Spark Development Company and director of Provincial Computer Technology Research Institute. He was appointed associate dean and dean of Jiangxi Provincial Academy of Sciences in November 1996 and August 2000 respectively; deputy municipal committee secretary and vice mayor of Jiujiang City, Jiangxi Province in January 2004; party secretary of Jiujiang Economic and Technological Development Zone in January 2006; deputy municipal committee secretary and acting mayor of Jingdezhen city, Jiangxi Province in November 2006 and mayor in December 2006. He was appointed as director of general office of National Council for Social Security Fund in December 2010 and its general secretary and planning and research department director since September 2011. Mr. Li has been a Non-employee Supervisor of CITIC Securities Company Limited from January 2016. Mr. Li has been a Non-executive Director of the Company since October 2015. Mr. Li did not hold any directorship in any other listed companies in the last three years. He graduated in December 2005 from the School of Management, Huazhong University of Science & Technology with a Master's Degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Hon Chuen, GBS, JP, aged 68, has been an Independent Non-executive Director of the Company since October 2012. He has been a solicitor of the High Court of Hong Kong since December 1971, and is a China-Appointed Attesting Officer and a Notary Public. Mr. Lau has been the senior partner of Messrs. Chu & Lau, Solicitors & Notaries since April 1978, and is currently a standing committee member of the 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: China Jinmao Holdings Group Limited, Glorious Sun Enterprises Limited, Yuexiu Transport Infrastructure Limited, Yuexiu Property Company Limited, Joy City Property Limited (Formerly known as COFCO Land Holdings Limited), and Brightoil Petroleum (Holdings) Limited. He is also currently an independent non-executive director of OCBC Wing Hang Bank Limited (Formerly known as Wing Hang Bank Limited, delisted from HKEx with effect from 16 October 2014), Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank Limited, Wing Hang Bank (China) Limited and a director of Chu & Lau Nominees Limited (a company secretarial services company), Sun Hon Investment and Finance Limited (an investment business company), Wydoff Limited (a nominee services company), Wytex Limited (a nominee services company), Trillions Profit Investment Ltd., Helicoin Ltd. and Wyman Investments Ltd. Mr. Lau served as chairman of Central and Western District Council of Hong Kong from 1988 to 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee from 1988 to 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (he was a member of the Provisional Legislative Council between 1997 and 1998). Mr. Lau was the standing committee member of the 10th and 11th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau graduated from the University of London in July 1969 with a Bachelor of Laws Degree.

Mr. Du Jian, aged 74, is an Independent Non-executive Director of the Company and a Senior Economist. Mr. Du joined the MOF in August 1963, and until June 2000 served consecutively as deputy director of the General Division of the Cultural, Educational, Administrative and Financial Department, deputy director of the Cultural and Health Division, deputy director and director of the Cultural and Corporate Division, director of the Social Security Department and director of the External Department. Mr. Du was the chairman of the board of supervisors (deputy organization level) of the Communist Party's Central Finance Working Committee on Important State-owned Financial Institutions of the State Council from June 2000 to June 2003 and chairman of the board of supervisors (deputy organization level) of the CBRC's Important State-owned Financial Institutions of the State Council from June 2003 to August 2005. Mr. Du was the director of the CBRC's Special Treatment Case Supervision Organization from February 2006 to December 2008. Mr. Du has been an Independent Non-executive Director of the Company since October 2012. In August 2014, Mr. Du Jian resigned of a Non-executive Director. Before the approval of the appointment of a new non-executive director as a successor by shareholders of the Company at a general meeting pursuant to relevant laws, regulations and internal documents such as the Articles of Association and the approval of the China Insurance Regulatory Commission in respect of the appointment qualifications of the successor, Mr. Du Jian will continues to perform the duties and responsibilities of Director. Mr. Du did not hold any directorship in any other listed companies in the last three years. Mr. Du graduated from Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1963 with a Bachelor's Degree in Finance.

Mr. Xu Dingbo, aged 52, is an Independent Non-executive Director of the Company. From 1986 to 2003, Mr. Xu was a teaching assistant at the University of Pittsburgh and the University of Minnesota, an assistant professor at the Hong Kong University of Science and Technology, and an adjunct professor at Peking University from April 1999 to April 2009. He joined the China Europe International Business School in January 2004, where he currently serves as the school's Essilor chair Professor of Accounting, associate dean of Academic Affairs and a member of the Managing Committee, and has served as a member of its financial budget committee since October 2009. Mr. Xu has been an Independent Non-executive Director of the Company since September 2009, and was an independent non-executive director and chairman of the audit committee of Sanjiang Shopping Club Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601116) from December 2009 to November 2011. Mr. Xu has served as an independent non-executive director and chairman of the audit committee of Dongyi Risheng Home Decoration Group Limited Company (listed on Shenzhen Stock Exchange, stock code: 002713) since December 2010. Since December 2012, Mr. Xu has served as an independent director and chairman of the audit committee of Shanghai Shyndec Pharmaceutical Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600420). Mr. Xu has served as independent director of Sany Heavy Industry Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600031) since January 2013 and as the chairman of the audit committee since July 2013. Since June 2013, Mr. Xu has served as an independent director and chairman of the audit committee of China Cinda Asset Management Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 01359). Mr. Xu has served as an independent director, chairman of the audit committee and connected transactions committee of Societe Generale (China) Co., Ltd. since December 2015. Mr. Xu graduated from Wuhan University in July 1983 with a Bachelor's Degree in Mathematics, and obtained a Master's Degree in Economics in October 1986. Mr. Xu graduated from the University of Minnesota in August 1996 with a Doctoral Degree in Accounting. As a result of Mr. Xu's extensive academic experience and expertise in the field of accounting, as well as his experience in company (including public company) audit committees and budget committees of institutions, the Company considers that Mr. Xu possesses appropriate accounting and financial management expertise for the purposes of Rule 3.10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Mr. Luk Kin Yu, **Peter**, aged 75, is an Independent Non-executive Director of the Company. Mr Luk is a fellow member of the Institute and Faculty of Actuaries in England, the Institute of Actuaries of Australia and the Society of Actuaries in the United States of America, respectively. Mr Luk was previously the chief actuary of American International Assurance Company, Limited, the chief financial officer of the Pacific-Asia Division of Manulife Insurance Co., Ltd., the appointed actuary of Australian Casualty and Life Insurance Co., Ltd., the senior actuary of Mercer, Campbell, Cook & Knight, and an executive director and the chief financial officer of Pacific Century Insurance Holdings Limited. Mr Luk was the president of the Actuarial Society of Hong Kong when it was founded and the President of the society for a considerable number of sessions. Mr Luk was a member of the Advisory Committee of Insurance, Financial and Actuarial Analysis of The Chinese University of Hong Kong and the chairman of the Advisory Committee of the Department of Mathematics of City University of Hong Kong. He is the chief executive officer of Plan-B Consulting Limited, an independent non-executive director of HSBC Life Insurance (International) Limited and HSBC Insurance (Asia) Limited. From April 2005 to January 2015, Mr. Luk has been the independent non-executive director of PICC P&C and he has been appointed as the Independent Non-executive Director of the Company since December 2013. Mr Luk has substantial experience in the insurance industry.

Mr. Lin Yixiang, aged 52, is an Independent Non-executive Director of the Company and a Senior Economist. In September 1989, he joined the Stock Department at Caisse des Dépôts and engaged in providing stock investment and analysis services. From August 1993 to June 1996, Mr. Lin served as a senior expert, deputy general director of the Research Information Department and the head of the securities trading surveillance system at the China Securities Regulatory Commission. From June 1996 to February 2001, he served as the vice president of Huaxia Securities Co., Ltd. Since March 2001 till now, he has served as the chairman and managing director of TX Investment Consulting Co., Ltd. During such period, he was an independent director of Taikang Asset Management Co., Ltd. from December 2005 to December 2012, an independent director of CITIC Trust Co., Ltd since December 2007, an independent director of Huarong Securities Co., Ltd. from April 2007 to May 2014, an independent director of Yingda Asset Management Co., Ltd. from May 2012 to May 2014, an independent director of Shanxi Taigang Stainless Steel Co., Ltd. (a listed company on Shenzhen Stock Exchange with stock code: 000825) from October 2013 to April 2015, an independent director of Financial Street Holdings Co., Ltd. (a listed company on Shenzhen Stock Exchange with stock code: 000402) since August 2014 and an independent director of Guohe Fund Management Co., Ltd. from September 2014 to July 2015, an independent director of Banque de lIndochine from December 2015, Mr. Lin has served as the vice chairman of the Securities Association of China and the director of Securities Analysts and Investment Advisers Committee from July 2002, a qualification evaluation expert in the former Ministry of Labor and Social Security Annuity Fund Management Institution from November 2004, a committee member of the Expert Committee of China Securities Index from February 2006, the chairman of the Expert Committee on Shenzhen Stock Exchange Index from September 2009 and the chairman of the Association of Certified International Investment Analysts from June 2013 to June 2015. He has also served as the adjunct professor at the School of Economics of Peking University from January 2012 and the postgraduate instructor of Wudaokou Financial Graduate School of Tsinghua University since May 2012. Mr. Lin has been an Independent Non-executive Director of the Company since September 2015. In July 1983, Mr. Lin graduated from Peking University and obtained a bachelor's degree in Economics; in July 1985, he graduated from the Pierre Mendès-France University with a master's degree in Economics; and in October 1989, he graduated from the Paris West University Nanterre La Défense in France and received a PhD's degree in Economics.

SUPERVISORS

Mr. Lin Fan, aged 56, is a Supervisor and the chairman of the Board of Supervisors of the Company, and a Senior Economist. Mr. Lin joined the Company in September 1980 and until July 1999, served successively as deputy general manager of the Guangzhou branch and general manager of the Shenzhen branch. Mr. Lin served as deputy general manager of China Insurance Company, Limited from July 1999 to August 2002. From August 2002 to May 2009, Mr. Lin served successively as managing director, vice chairman of the board of directors, deputy general manager, general manager and chairman of the board of directors of China Insurance (Holdings) Company Limited. Mr. Lin served as the chairman of the board of directors of China Taiping Insurance Group Co. and China Taiping Insurance Group (HK) Company Limited from May 2009 to March 2012. Meanwhile, Mr. Lin served consecutively as chairman of the Board of The Ming An Insurance Co. (H.K.) Ltd., chairman of the board of directors of The Ming An (Holdings) Company Limited and chairman of the board of directors of China Taiping Insurance Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 00966). Mr. Li has been a Supervisor and chairman of the Board of Supervisors of the Company since March 2012. Mr. Lin graduated from the University of South Australia in August 2006 with a Master's Degree in Business Administration.

Mr. Yu Ning, aged 62, is an Independent Supervisor of the Company and a lawyer. He served in the army from 1969 to 1978. He worked in Zhenjiang Health Office, Jiangsu province as an administrative officer from May 1978 to August 1979. Mr. Yu served as deputy director and director of Central Disciplinary Inspection Commission of the Chinese Communist Party from August 1983 to May 1994. He established Beijing Times Highland Law Firm in 1994 and worked as a practicing lawyer until 2005; from 1999 to 2005, he was the fourth and fifth vice president of the All China Lawyers Association. From 2005 to 2011, he was the sixth and seventh president of the All China Lawyers Association. Since 2012, Mr. Yu has been serving as the chairman of Grandall Legal Group. Meanwhile, Mr. Yu also served as an external director of China Mobile Limited, and an independent director of Bank of Beijing Co. Ltd (listed on the Shanghai Stock Exchange, stock code: 601169), BOE Technology Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000725), Beingmate Baby & Child Food Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002570), Intime Retail (Group) Company Limited (listed on the Hong Kong Stock Exchange, stock code: 1833) and Beijing Enterprises Water Group Limited (listed on the Hong Kong Stock Exchange, stock code: 0371). He was a member of the eleventh National Committee of the Chinese People's Political Consultative Conference (CPPCC) and a member of the Social and Legal Affairs Committee of the CPPCC. Since March 2014, Mr. Yu has been appointed as an Independent Supervisor of the Company. He graduated from Peking University in 1983 with a Bachelor's Degree in Law and also obtained a Master's Degree in Economic Law from Peking University in 1996.

Mr. Xu Yongxian, aged 52, is a shareholder representative Supervisor of the Company and a Senior Economist. Mr. Xu joined the MOF in August 1990 and until December 2009, served successively as deputy director of the General Division of the Taxation Department, deputy director of the General Division of the Taxation Regulation Department, director of the General Division and director of Local Tax Division I of the Taxation Department, and deputy department level cadre of the Taxation Department of the MOF from September 2009 to December 2009. Mr. Xu has been a Supervisor of the Company since September 2009. Mr. Xu did not hold any directorship in any listed companies in the last three years. Mr. Xu graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1987 with a Bachelor's Degree in Taxation and a Master's Degree in Finance in July 1990.

Ms. Yao Bo, aged 56, is a Supervisor representative of employees of the Company, a Senior Economist and a Senior Accountant. Ms. Yao joined the MOF in October 1987 and until March 2004 served successively as deputy director of Domestic Debts Division of the National Debts Department, deputy director of Finance Division III of the National Debts and Finance Department, deputy director and researcher of Finance Division II of the Finance Department. Ms. Yao served successively as part-time supervisor of the board of supervisors of Industrial and Commercial Bank, China Huarong Asset Management Corporation, China Construction Bank and China Cinda Asset Management Corporation from June 2000 to March 2004. Ms. Yao joined the Company in March 2004 and until September 2007, served as deputy general manager of the Finance and Accounting Department and director of the Accounting Division, and since September 2007 served successively as general manager of the Worker's Union Department of the Company and the deputy director of the Worker's Union Committee, and has been the Supervisor representative of the employees of the Company since September 2009. Ms. Yao did not hold any directorship in any listed companies in the last three years. MS. Yao graduated from the People's Liberation Army Medical School of Beijing (now known as People's Liberation Army Bethune Medical Officer School) in July 1982 with a university level qualification majoring in Examination and Inspection, and graduated from the Party School of the Central Committee of CPC in December 1997 with a Bachelor's Degree in Foreign-related Economics, and graduated from the Jiangxi University of Finance and Economics in July 1999 with a Master's Degree in Finance and Policy.

Mr. Wang Dajun, aged 48, is a Supervisor representative of employees of the Company, a senior economist and Senior Enterprise Risk Manager. Mr. Wang joined The Company in August 1993 and once served as the deputy director of its general office for the agricultural insurance department; served as the assistant to the head of its communist party union working department in December 2000, the deputy secretary of its communist youth league committee in April 2001, the deputy head of its communist party union working department and the deputy secretary of the communist youth league committee in February 2003. Mr. Wang also served as the deputy general manager of the customer service management department of the PICC P&C in July 2003, the deputy general manager of its individual insurance marketing and management department in March 2004 and the deputy general manager of its accident and health insurance department in March 2006. In September 2007, he served as the deputy general manager of the business development department of the Company. In January 2008, he re-designated as the deputy general manager and deputy secretary of the communist party group of PICC Hong Kong. In July 2009, he served as the deputy general manager of the risk management/legal and compliance department of the Company. Mr. Wang has been serving as the general manager of the risk management department of the Company since August 2013 and has been the Supervisor representative of the employees of the Company since March 2016. Mr. Wang did not hold any directorship in any listed companies in the last three years. He graduated from Northeast Agricultural Institute(now known as Northeast Agricultural University)in August 1993 with a Master's degree in Agricultural Science and graduated from Tsinghua University in December 2005 with a Master's degree in Business Administration.

SENIOR MANAGEMENT

Mr. Wang Yincheng. Please refer to the section titled "Executive Directors" for the biography of Mr. Wang Yincheng.

Ms. Zhuang Chaoying. Please refer to the section titled "Executive Directors" for the biography of Ms. Zhuang Chaoying.

Mr. Li Yuquan. Please refer to the section titled "Executive Directors" for the biography of Mr. Li Yuquan.

Mr. Xie Yiqun, aged 54, is the Vice President of the Company and a Senior Economist. Mr. Xie joined the Company in April 1980 and has worked as the deputy general manager of Wenzhou branch, the general manager of the Foreign Business Department of Zhejiang branch and the manager of Insurance Agency in Marseille, France until January 1995. From January 1995 to December 2001, he worked as the general manager of China Insurance Company S.A. Luxemburg, the general manager of China Insurance Company (UK) Limited, the general manager of China Insurance Singapore branch and China Taiping Insurance Group Singapore branch and the director of the Singaporean Institutional Reorganisation Preparatory Committee (新加坡機構重組籌備委員會). Mr. Xie worked as the Chairman of Taiping Life Insurance Co., Ltd. from December 2001 to November 2004. From August 2004 to May 2009, Mr. Xie worked as managing director and deputy general manager of China Insurance (Holdings) Company Limited and China Hong Kong Insurance (Group) Company Limited. From May 2009 to March 2015, Mr. Xie worked as deputy general manager of China Taiping Insurance Group Co. and China Taiping Insurance Group (HK) Company Limited. Meanwhile, he worked as managing director from May 2009 to March 2012 and executive director from June 2013 to March 2015. Meanwhile, he also worked as executive director and deputy general manager of China Taiping Insurance Holdings Company Limited (as company listed on the Stock Exchange of Hong Kong Limited with with stock code: 00966), chairman of Taiping Assets Management (HK) Company Limited, chairman of CIC Holdings (Europe) Limited, chairman of Taiping Pension Co., Ltd. (太平養老保險股份有限公司), chairman of Taiping Asset Management Company Limited, chairman of Taiping Securities (HK) Company Limited, general manager of Taiping Senior Living Investments Company Limited, chairman of Taiping Financial Holdings Company Limited, chairman of Taiping Investment Holdings Company Limited and chairman of Shenzhen Taiping Investment Company Limited (深圳太平投資有限公司). Mr. Xie has been working as the Vice President of the Company since March 2015. He also worked as chairman of PICC Hong Kong since June 2015. Mr. Xie graduated from Nankai University in July 1988 and from Middlesex University Business School, UK in June 2001 and obtained the degree of M.A.

Mr. Tang Zhigang, aged 51, is a vice president of the Company and a Senior Economist. Mr. Tang worked in the Agricultural Bank of China from July 1988 to July 1994 and served as a deputy director of restructuring commission of research office. From July 1994 to September 2013, Mr. Tang worked in the Agricultural Bank of China and served as a deputy director of research office of general administrative office, a deputy division director, director, assistant to the chief of Jiangsu branch, deputy officer of administrative office of headquarters, manager of the research division, chief of Jiangsu branch, head of the preparation committee of international business of headquarters, general manager of the international department and director of the office, as well as the assistant to the president and director of office of the Agricultural Bank of China since February 2013. Since September 2013, he has been appointed as a vice president of the Company. Mr. Tang did not hold any directorship in any listed companies in the last three years. Mr. Tang graduated from Hunan Institute of Finance in July 1985 with a Bachelor's Degree in Economics and obtained a Master's Degree in Economics from PBOC Research Institute of Finance and Banking in July 1988.

Ms. Yu Xiaoping, aged 58, is a vice president of the Company and a Senior Economist. Ms. Yu worked at the People's Construction Bank of China as deputy director of the Real Estate Credit and Loan Department from January 1982 to March 1994, at the China Development Bank successively as controller and deputy director of the International Finance Bureau, president (bureau level) of the Wuhan branch, and president (bureau level) of the Shenzhen branch from March 1994 to January 2010. Ms. Yu has served as a chief investment officer of the Company from January 2010 to January 2014 and she has been appointed as a vice president of the Company since October 2013. Ms. Yu has served as a director of China Credit Trust Company Limited from November 2010 to December 2013, non-executive director of PICC P&C since January 2011 and chairman of the board of directors of No. 88 Development Company since March 2011. Ms. Yu has served as a director of China Insurance Investment Company Limited since December 2015.Ms. Yu graduated from Tongji University in January 1982 with a Bachelor's Degree in Science and from Renmin University of China in July 1988 with a Bachelor's Degree in Economics.

Mr. Sheng Hetai, aged 45, is a vice president of the Company and a Senior Economist. Mr. Sheng joined the Company in July 1998 and until September 2007, served successively as deputy director of the Product Development Center, deputy general manager (in charge of daily operations) of the Research and Development Department, general manager of the Equity Management Department/Risk Management Department. Mr. Sheng has served as general manager of the Strategic Planning Department of the Company since September 2007, senior expert from May 2008 to May 2010, assistant to the president since March 2010 and vice president since June 2014. He has also served as a supervisor of PICC P&C since August 2006 to June 2015. He has been the chairman of the board of directors of Zhongsheng International Insurance Brokers Co., Ltd since November 2013. Mr. Sheng did not hold any directorship in any listed companies in the last three years. Mr. Sheng has served as a director of The Insurance Institute of China since September 2004 and executive director since January 2014. Mr. Sheng graduated from Peking University in July 1998 with a Doctoral Degree in Economics.

Mr. Han Kesheng, aged 50, is an assistant to the president and a Senior Economist. Mr. Han joined the National Ministry of Supervision in July 1991, the CPC Central Commission for Discipline Inspection in January 1993 and until May 2001, served successively as deputy division level inspector, division level inspector and supervisor of the General Office. Mr. Han joined the Company in May 2001 and served successively as assistant to the general manager and deputy general manager of the Human Resources Department of the Company, deputy general manager of the Human Resources Department of PICC P&C and general manager of the Supervisory Department/Auditing Department of PICC P&C. Mr. Han has served as general manager of the Human Resources Department of the Company since September 2007 to January 2015 and assistant to the president since March 2010. Mr. Han did not hold any directorship in any listed companies in the last three years. Mr. Han graduated from Anhui Normal University in July 1985 with a Bachelor of Arts Degree and from Nankai University in July 1991 with a Master's Degree in Literature.

Mr. Li Tao, aged 49, is the secretary to the Board and general manager of the Secretariat of the Board and Office of the Board of Supervisors of the Company, and a Senior Economist. Mr. Li's career began in July 1985. Mr. Li joined the Company in July 1998, and served successively as director of the Policy Research Office of the Research and Development Center and deputy director of the Research and Development Center of the Company, deputy director and director of the secretariat of the board of directors of PICC P&C, general manager of the Development and Reform Department and director of the Policy Research Office of the Company from March 2006 to September 2007, and senior expert from September 2007 to January 2010. Mr. Li served as the deputy director of the Share Transformation Office of the Company from February 2008 to September 2009 and has been the secretary to the Board since September 2009. He has been the secretary to the Board/general manager of the office of the Board of Supervisors since January 2010 and standing deputy director of the listing office since May 2011. He has served as a non-executive director of PICC P&C since November 2006. Mr. Li graduated from Renmin University of China in July 1993 with a Master's Degree in Philosophy and from the Party School of the Central Committee in July 1998 with a Doctoral Degree in Economics.

Mr. Zhao Jun, aged 55, is the chief information technology officer and general manager of the South Information Center of the Company, and a Senior Engineer. Mr. Zhao joined the Company in November 1993 and until July 2003, served successively as deputy general manager and general manager of the Information Technology Department. Mr. Zhao served as general manager of the Information Technology Department of PICC P&C from July 2003 to June 2005, general manager of the Statistics and Information Department of the Company from June 2005 to March 2006, general manager of the Information Technology Department/Statistical Analysis Department in March 2006, chief information technology officer since September 2007, general manager of the South Information Center from January 2010 to March 2015 and general manager of the Information Technology Department since March 2015. Mr. Zhao did not hold any directorship in any listed companies in the last three years. Mr. Zhao was awarded the Special Government Allowance by the State Council in February 2007. Mr. Zhao graduated from Hunan University in December 1981 with a Bachelor's Degree in Engineering and from the University of Bradford in November 1993 with a Master's Degree in Science.

Mr. Zhou Houjie, aged 51, is the financial controller and chief financial officer of the Company, and an Accountant. Mr. Zhou served successively as deputy general manager and general manager of the Finance Department of China Union Pay Company Limited, general manager of its Shanghai branch and general manager of its Banking Service Department from March 2002 to July 2008. Mr. Zhou served as vice president of China Huawen Investment Holding Company Limited and vice president of Shanghai New Huawen Investment Company Limited from July 2008 to July 2010 and has served as the financial controller and chief financial officer of the Company since January 2010. He has served as a non-executive director of Shanghai New Huang Pu Real Estate Co., Ltd. (listed on the Shanghai Stock Exchange, stock code:600638) from September 2008 to September 2010 and non-executive director of PICC Capital since March 2014. Mr. Zhou graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in June 1991 with a Bachelor's Degree in Economics and the Shanghai National Accounting Institute in June 2005 with an Executive Master of Business Administration Degree.

EMPLOYEES

As at 31 December 2015, the Group had a total of 193,687 employees, including regular employees and contract labor staff. For the year ended 31 December 2015, salaries paid to the employees by the Company and its subsidiaries were approximately RMB32.572 billion in total, which mainly included fixed salaries, performance bonuses as well as contributions to insurance and benefit plans for employees in accordance with relevant PRC regulations. The salary of employees are determined in accordance with market levels, employees' performance and actual situation of Company. The Company and its subsidiaries enhance the performance and efficiency of employees by various measures such as providing career development channels, strengthening staff training and implementing performance review.

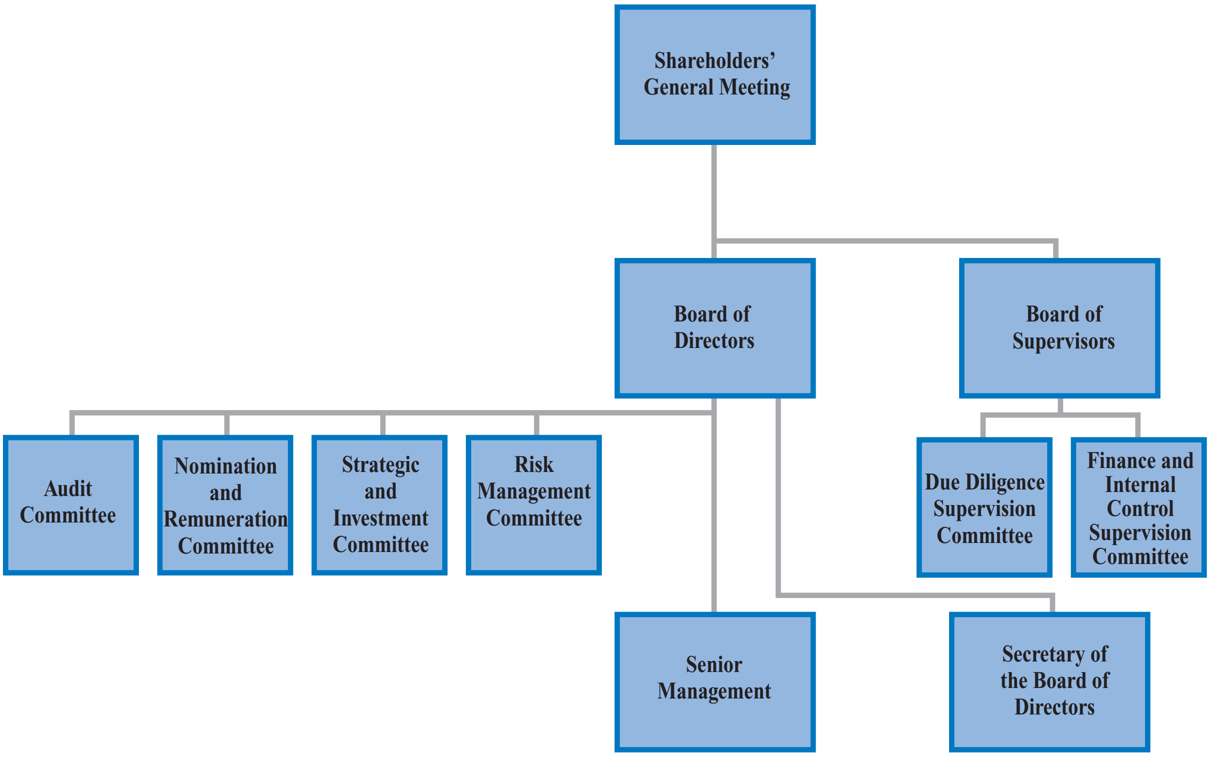
The Company always abides by the relevant laws such as the "Company Law of the People's Republic of China", the "Insurance Law of the People's Republic of China".

Earnestly performed the requirements of the regulatory systems of the "Listing Rules", the "Guided Opinion on standardizing the corporate governance structure of insurance companies" and the Articles of Association.

Insists on the principles of having good corporate governance, strives for enhancing the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

The Company complied with all code provisions of the Corporate Governance Code in 2015, adopted recommended best practices under appropriate circumstances and continued to perfect its corporate governance structure. The general meeting, the Board, the Board of Supervisors and the senior management independently performed their respective rights and obligations pursuant to the Articles of Association, which is in compliance with laws and regulatory requirements.

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



SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the most authoritative organ of the Company, and its main responsibilities include, but are not limited to, the following: (1) decide the operating policies and material investment plans of the Company; (2) elect and replace the members of the Board and members of the Board of Supervisors who are not representative of the employees of the Company, and decide on matters related to the remuneration of Directors and Supervisors; (3) consider and approve the report of the Board; (4) consider and approve the report of Board of Supervisors; (5) consider and approve the annual financial budget and final accounts of the Company; (6) consider and approve the Company's profit distribution plan and loss recovery plan; (7) consider and approve matters related to the Company's establishment of legal entities, material investments and external donations etc. (except matters authorized to be considered and approved by the Board); (8) consider and approve matters when the Company acts as the guarantor; (9) resolve on the increase or decrease in registered capital of the Company; (10) resolve on the listing, issuance of securities, or corporate bonds; (11) resolve on matters related to merger, separation, dissolution, liquidation of the Company or alteration in the form of the Company; (12) resolve on matters related to repurchase of shares of the Company; (13) formulate and amend the Articles of Association, procedural rules for the shareholders' general meeting, the Board meeting and the Board of Supervisors meeting; (14) resolve on the appointment or change of the Company's accounting firm performing regular statutory audits for the financial and accounting reports of the Company; (15) consider and approve related party transactions required to be approved by the general meeting under the laws, regulations, regulatory documents or requirements of the securities regulatory authorities where the Company's shares are listed, and the authorization scheme of the Company; (16) consider and approve the change in the use of proceeds; (17) consider the motion raised by the shareholders representing more than 3% of outstanding shares with voting rights; and (18) consider other matters required to be determined by the shareholders' general meeting as required by applicable laws, regulations, regulatory documents, the relevant requirements of the securities regulatory authorities at the places where the Company's shares are listed, and the Articles of Association.

During the reporting period, the Company convened two general meetings, and the major matters put forward for consideration and approval at the meetings included:

- Considered and approved the reports of the Board and the Board of Supervisors for the year 2014.
- Considered and approved the resolution concerning the financial report of the Company for the year 2014.
- Considered and approved the resolution concerning the Company's profit distribution plan for the year 2014.
- Considered and approved the Company's investment budget for fixed assets in 2015.
- Considered and approved the engagement of auditor for 2015 financial report.
- Consider and approve the election of Li Yuquan, Hua Rixin, Cheng Yuqin, Li Fang, Tang Shisheng and Lin Yixiang as directors of the Company to serve the Second Session of the Board of Directors.
- Consider and approve the proposal on the grant of a general mandate to issue Shares.
- Consider and approve the remuneration settlement scheme for Directors and Supervisors for the year 2013.
- Received the performance report of the Directors of the Company for the year 2014 and performance report of the Independent Directors of the Company for the year 2014.

SHAREHOLDERS' GENERAL MEETING *(continued)*

- Received the report on connected transactions and the execution of the connected transaction management system of the Company for the year 2014.

- Received the report on rights issue (placing) of PICC P&C in 2014.

In addition, the circumstances regarding the renewal of the liability insurances for the Directors, Supervisors and senior management of the Company from 2014 to 2015 were heard.

The shareholders' general meetings established effective channels for communicating with shareholders, ensured that the shareholders have the right to know, participate in and vote on major matters of the Company. The shareholders are also familiar with the detailed procedures to vote on resolutions by means of voting.

According to the Articles of Association, shareholders may obtain information such as the register of members, individual profiles of the Directors, Supervisors and senior management, share capital and minutes of general meetings. Shareholders are entitled to supervise and manage, advise on or enquire about the business and operations of the Company through the Secretariat of the Board or in the general meeting.

Methods of Convening Extraordinary General Meetings

According to the Articles of Association, any shareholder(s), whether individually or collectively, holding 10% or more of the voting shares of the Company may request in writing to convene an extraordinary meeting and such shareholder(s) shall submit the resolution(s) to the Board. If the Board is satisfied that the resolution(s) complies with the requirements under the laws, regulations and the Articles of Association, it shall issue a notice of extraordinary general meeting within five days after the resolution of the Board.

Procedures for Proposing Resolutions at General Meetings

When shareholders' general meetings are held by the Company, the shareholders individually or jointly holding more than 3% of the shares in the Company have the right to make proposals, while provisional proposals shall be made ten days prior to the convening of general meeting and shall be submitted in writing to the convener. The convener shall, within two days after the receipt of such proposal, give supplementary notice of the general meeting on the details of such proposal. Specific enquiries and suggestions by shareholders can be sent in writing to the Board at our registered address or by e-mail to our Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, if they have any enquiries about the shareholdings and entitlement to dividend. The relevant contact details are set out in the "Corporate Information" section of this Annual Report.

THE BOARD

The Board is a decision-making organ of the Company. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors at least 14 business days before the date of meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors at least five business days before the date of meeting (excluding the date of the meeting). Detailed minutes shall be kept for every meeting. The Directors timely received such notices and information before the meetings on a timely basis to enable them to make informed decisions.

THE BOARD *(continued)*

Composition

As at 31 December 2015, the Board comprised 14 Directors (see the "Directors, Supervisors, Senior Management and Employees" section in this annual report for the profiles of current Directors), consisting of four Executive Directors, five Non-executive Directors and five Independent Non-executive Directors. Directors serve a term of three years and are eligible for re-election, but Independent Non-executive Directors shall not serve consecutively for more than six years.

During the year, the Board comprised the following Directors:

Name	Position	Date of Appointment
Wu Yan	Chairman of the Board and Executive Director	28 September 2009
Wang Yincheng	Vice Chairman of the Board and Executive Director	28 September 2009
Zhuang Chaoying	Executive Director	4 March 2014
Li Yuquan	Executive Director	27 October 2015
Yao Zhiqiang	Non-executive Director	4 March 2014
Wang Qiao	Non-executive Director	4 March 2014
Hua Rixin	Non-executive Director	24 October 2015
Cheng Yuqin	Non-executive Director	24 October 2015
Li Fang	Non-executive Director	9 October 2015
Lau Hon Chuen	Independent Non-executive Director	19 October 2012
Du Jian	Independent Non-executive Director	19 October 2012
Xu Dingbo	Independent Non-executive Director	28 September 2009
Luk Kin Yu, Peter	Independent Non-executive Director	31 July 2015
Lin Yixiang	Independent Non-executive Director	25 September 2015

The changes in Directors of the Company during the year were as follows:

On 26 June 2015, the Company held the 2014 general meeting of the Company for the purpose of electing Mr. Li Yuquan as the Executive Directors for the second session of the Board; electing Mr. Li Fang as the Non-executive Director for the second session of the Board; and electing Mr. Tang Shisheng and Mr. Lin Yixiang as the Independent Non-executive Directors for the second session of the Board. On 10 September 2015, the Company held the first extraordinary general meeting in 2015 of the Company for the purpose of electing Ms. Hua Rixin and Ms. Cheng Yuqin as the Non-executive Directors for the second session of the Board. The qualifications of Mr. Li Yuquan, Ms. Hua Rixin, Ms. Cheng Yuqin, Mr. Li Fang, Mr. Luk Kin Yu, Peter and Mr. Lin Yixiang as the Directors of the Company have been approved by the CIRC in July, September and October 2015.

Mr. Ma Qiang, Ms. Li Shiling, Ms. Zhang Hanlin retired from office with effect from October 2015. Mr. Cai Weiguo retired from office with effect from July 2015. Please refer to the "Directors, Supervisors, Senior Management and Employees" section in the Company's 2012 and 2013 Annual Report for Directors' biographies. Mr. Ma Qiang's resignation is due to the relevant rules regarding communist party officials taking positions in corporations. Both Ms. Li Shiling and Ms. Zhang Hanlin's resignations are due to their ages and Mr. Cai Weiguo resigned as the term of the first session of the Board ended.

On 25 August 2014, pursuant to the relevant regulation on retired party and political leaders and cadres working part-time (holding office) in enterprises, Mr. Du Jian resigned from the posts of Independent Non-Executive Director and member of the Nomination and Remuneration Committee of the Company, before the qualification of his successor is approved by the China Insurance Regulatory Commission, Mr. Du Jian will continue to perform the duties and responsibilities as Independent Non-Executive Director of the Company.

THE BOARD *(continued)*

Duties and Responsibilities

The Board shall, according to the Articles of Association, report in the shareholders' general meeting and its main responsibilities include, but are not limited to, the following: (1) convene shareholders' general meetings; (2) implement the resolutions of the shareholders' general meetings; (3) determine the development strategies, annual operation plans and investment plans of the Company; (4) formulate annual financial budget and final account statements of the Company; (5) formulate profit distribution plans and loss recovery plans of the Company; (6) formulate proposals for increases or reductions of the Company's registered capital and the issue of corporate bonds or other securities by the Company or the listing of the Company; (7) formulate plans for the repurchase of shares of the Company or merger, separation, dissolution and changes of the form of the Company; (8) formulate proposals for any amendment to the Articles of Association; (9) review and approve the Company's connected transactions as required by laws, regulations or regulatory documents (within the scope of approval by a shareholders' general meeting); and review and approve the establishment of corporate legal entities, capital expenditures and external donations and other matters; (10) decide on the Company's establishment and the structure of the internal management structure of the Company; (11) appoint or remove the president, vice-president, secretary of the Board, assistant to the president, and persons in charge of finance, compliance or audit, and determine their remunerations and incentive schemes; (12) elect members of other professional committees of the Board; (13) submit to the shareholders' general meeting on the appointment or removal of an accounting firm; (14) determine risk management, compliance and internal management policies, formulate internal control compliance management and internal audit systems, and approve the Company's annual risk evaluation report, compliance report and internal control assessment report; (15) review and approve the corporate governance report; and (16) exercise such other functions and powers as granted by laws, regulations, regulatory documents, the Articles of Association and the shareholders' general meeting.

Summary of Work Undertaken

During the reporting period, the Board convened two shareholders' meeting, submitted 14 resolutions to the shareholders' meeting for consideration and approval, and submitted four reports; convened nine meetings of the Board reviewed and approved 40 resolutions, received seven reports. The main matters reviewed included: nominating Mr. Li Yuquan, Ms. Hua Rixin, Ms. Cheng Yuqin, Mr. Li Fang, Mr. Tang Shisheng and Mr. Lin Yixiang as the candidates of Directors for the second session of the Board; preparation of the annual business plan, financial budget; carried out annual appraisal of the directors and senior management; approved the 2014 annual report, announcement of annual results, assessment report on the implementation of the development plan, 2015 interim report, announcement of the interim results, the "Solvency II" solvency report for the first half of 2015; hired the auditors for the financial reports for the year 2015; reviewed the internal control, compliance management, risk control annual reports of the Company; made a comprehensive assessment of the corporate governance status of the Company of 2014; reviewed the resolution of the renewal of the liability insurance for directors, supervisors and senior management; considered the resolution on authorising the management to implement market trust investment; approved adjustments to the organisation structure; considered and approved the resolutions on establishing Beijing Baofu Technology Company Limited, PICC Reinsurance Company Limited, Pension Management Company Limited, PICC E-Finance Service Company Limited, participation in the capital raising by China Securities Credit Investment Co., Ltd. and the purchase of shares in Hua Xia Bank Co. Ltd. by PICC P&C from Deutsche Bank; considered the resolutions on nomination of director and supervisor of PICC P&C, amendment to the articles of association of PICC AMC; the entering into connected transactions with PICC P&C regarding south information centre service framework agreement and other resolutions.

THE BOARD *(continued)*

Summary of Work Undertaken *(continued)*

During the reporting period, the Directors' attendance records of the onsite shareholders' general meetings were as follows:

Name	Attendance in Person/scheduled attendance	Percentage of Attendance in Person
Wu Yan	1/2	50%
Wang Yincheng	1/2	50%
Zhuang Chaoying	0/2	0%
Yao Zhiqiang	2/2	100%
Wang Qiao	2/2	100%
Li Shiling	2/2	100%
Zhang Hanlin	2/2	100%
Ma Qiang	0/2	0%
Lau Hon Chuen	2/2	100%
Du Jian	2/2	100%
Xu Dingbo	0/2	0%
Luk Kin Yu, Peter	0/1	0%
Cai Weiguo	0/1	0%

During the reporting period, the Directors' attendance records of Board meetings were as follows:

Name	Attendance in person/scheduled attendance	Percentage of attendance in person	Attendance by proxy/scheduled attendance	Percentage of attendance by proxy
Wu Yan	8/9	88.9%	1/9	11.1%
Wang Yincheng	6/9	66.7%	3/9	33.3%
Zhuang Chaoying	7/9	77.8%	2/9	22.2%
Li Yuquan	2/2	100%	0/2	0%
Yao Zhiqiang	8/9	88.9%	1/9	11.1%
Wang Qiao	9/9	100%	0/9	0%
Hua Rixin	2/2	100%	0/2	0%
Cheng Yuqin	2/2	100%	0/2	0%
Li Fang	2/3	66.7%	1/3	33.3%
Lau Hon Chuen	9/9	100%	0/9	0%
Du Jian	9/9	100%	0/9	0%
Xu Dingbo	8/9	88.9%	1/9	11.1%
Luk Kin Yu, Peter	4/4	100%	0/4	0%
Lin Yixiang	3/3	100%	0/3	0%

THE BOARD *(continued)*

Summary of Work Undertaken *(continued)*

During the reporting period, the main tasks accomplished by the Board included:

- Convened two shareholders' general meetings;
- Considered and approved the operation plans and Investment budget for fixed assets of the Company for the year 2015;
- Considered and approved the resolutions concerning the financial report and the profit distribution plan for the year 2014;
- Considered and approved the resolution concerning the annual report and annual result announcement for the year 2014 as well as the interim report and interim result announcement for the first half of the year 2015 and the "Solvency II" solvency report for the first half of 2015;
- Considered and approved the renewal of the liability insurances for the Directors, Supervisors and senior management of the Company;
- Considered and approved the Company's self-assessment report on internal control, risk evaluation report, compliance report, corporate governance report and assessment report on the implementation of business plan for the year 2014;
- Engaged the vice president of the Company;
- Considered and approved the resolution on adjustments to the organisation structure;
- Considered and approved PICC Group internal control management policies;
- Nominated the candidates of executive directors, non-executive directors and independent non-executive directors for the second session of the Board;
- Considered and approved the 2014 remuneration scheme for the Company's key personnel, the 2014 performance evaluation and incentive scheme for the Company's responsible officers and the 2014 remuneration scheme for the Directors and Supervisors;
- Considered the engagement of auditor for financial report for the year 2015;
- Considered and approved the resolution on authorising the management to implement market trust investment;
- Considered and approved the resolutions on establishing Beijing Baofu Technology Company Limited, PICC Reinsurance Company Limited, Pension Management Company Limited, PICC E-Finance Service Company Limited and participation in the capital raising by China Securities Credit Investment Co., Ltd;
- Considered and approved the resolutions on purchase of shares in Hua Xia Bank Co. Ltd. by PICC P&C from Deutsche Bank, nomination of director and supervisor of PICC P&C, entering into related transactions with PICC P&C regarding south information centre service framework agreement and amendment to the articles of association of PICC AMC;

THE BOARD *(continued)*

Summary of Work Undertaken *(continued)*

- Received the performance reports of the Directors for the year 2014 and performance reports of the Independent Directors of the Company for the year 2014, reports on the Company's connected transactions and the implementation of its connected transactions management system for the year 2014, report on specific auditing results of connected transactions of the Company for the year 2014, internal audit work summary of the Company for the year 2014, internal audit work summary of the Company for the first half of 2015 and working plan for the second half of 2015 and the report on the 2014 rights issue (placing) by PICC P&C.

DIRECTORS

Responsibility with respect to Financial Statements

The Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall reflect a true and fair view of the business operations of the Company in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and, subject to compliance with the International Accounting Standards, the implementation of the accounting regulations issued by the Ministry of Finance and CIRC.

Securities Transactions

The Company has established the *Interim Management Measures for Shareholding and their Changes of Shares of the Company's Directors, Supervisors and Senior Management* to regulate the dealing in securities by Directors, and such measures are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following enquiries made by the Company, all the Directors and Supervisors confirmed that they complied with the standards set out in the Model Code and such measures during the reporting period.

Independence of Independent Non-executive Directors

The Company has received annual confirmation letters from each of the Independent Non-executive Directors to confirm their independence. As at the latest practicable date prior to the issue of this report, the Company considers that all Independent Non-executive Directors are independent.

Training of Directors

All Directors (Mr. Wu Yan, Mr. Wang Yincheng, Ms. Zhuang Chaoying, Mr. Li Yuquan, Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Hua Rixin, Ms. Cheng Yuqin, Mr. Li Fang, Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Xu Dingbo, Mr. Luk Kin Yu, Peter and Mr. Lin Yixiang) are actively involved in continuing professional development, and participated in various kinds of training activities relating to corporate governance and the Listing Rules which were organized by the shareholding organizations, regulators, industry organizations and the Company, so as to provide them with comprehensive and relevant information to develop and update their knowledge and skills and improve their performance ability, with an aim of making positive contributions to the Board.

DIRECTORS *(continued)*

Training of Directors *(continued)*

Wu Yan: attended various trainings and meetings organised by PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Wang Yincheng: attended various trainings and meetings organised by PICC Group and various trainings sessions of the Shared Classroom of the President Office of the PICC P&C on topics including the latest development of finance theories and insurance laws, actuary of non-life insurance, budget management, application of information technology in company operation and management, social security, social management, impacts of modern urbanisation on future development of the Company, etc.

Zhuang Chaoying: attended the special seminar on learning and implementing decisions at the sessions of the Central Commission for Discipline Inspection by disciplinary secretaries of central enterprises, the special seminar on modern enterprise management and the special seminar on improving Party conduct and government integrity by provincial and ministerial officials as well as various trainings and meetings organized by PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Li Yuquan: attended various trainings and meetings organised by the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所), The Hong Kong Polytechnic University, PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Yao Zhiqiang: attended various trainings and meetings organised by the Insurance Society of China, China Investment Corporation, the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所), The Hong Kong Polytechnic University, China Europe International Business School, PICC Group as well as the Century Management Lectures and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Wang Qiao: attended various trainings and meetings organised by the Insurance Society of China, the Insurance Association of China, China Investment Corporation, the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所), The Hong Kong Polytechnic University, PICC Group as well as the Century Management Lectures and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Hua Rixin: attended various trainings and meetings organised by the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所), The Hong Kong Polytechnic University, PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

DIRECTORS *(continued)*

Training of Directors *(continued)*

Cheng Yuqin: attended various trainings and meetings organised by the Insurance Society of China, China Investment Corporation, the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所), The Hong Kong Polytechnic University, PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Li Fang: attended various trainings and meetings organised by PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Lau Hon Chuen: attended two lectures held by the Association of China-Appointed Attesting Officers for its members with the contents of the background, significance and contents of the reform of the commercial system of Guangdong and the system supporting to economic transformation and develop under new normal; and attended the training on anti-money laundering by the Law Society of Hong Kong as well as the trainings held by an accounting firm for directors on topic of cyber security.

Du Jian: attended various trainings and meetings organised by PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Xu Dingbo: paid continuous attention to and conducted research on macro economy and corporate governance, hosted and participated in several academic seminars relating to macro economy and corporate governance, and gave lessons relating to corporate governance to master students.

Luk Kin Yu, Peter: attended the quarterly trainings held by a bank for independent directors and the quarterly trainings held by an accounting firm for independent directors on topics of accounting, taxation, laws, compliance, information disclosure, duties and responsibilities of directors of listed companies, etc., mainly relating to issues in mainland China and Hong Kong and laws and regulations of the United States of America and Europe.

Lin Yixiang: attended various trainings and meetings organised by PICC Group and gained a deeper understanding of domestic and foreign applicable laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, corporate governance, etc.

Chairman/Vice Chairman/President

The Chairman of the Company for this year is Mr. Wu Yan. The Chairman is responsible for providing leadership to the Board, determining and approving the agenda for each Board meeting, ensuring the Company has good corporate governance practices and procedures, and maintaining the effective operation of the Board.

The Vice Chairman of the Company for this year is Mr. Wang Yincheng. The Vice Chairman will perform the duties of the Chairman if the Chairman cannot or does not perform his duties.

DIRECTORS *(continued)*

Chairman/Vice Chairman/President *(continued)*

The President of the Company for this year is Mr. Wang Yincheng. The president is responsible for leading the operation management of the Company, implementing Board resolutions, organizing the implementation of annual operation plans and investment proposals, formulating the internal management organization plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of other senior management. The Company's senior management team is the Company's execution body and assumes responsibilities to the Board. The powers of the Board and the senior management team are provided for in the Company's articles of association. The senior management team's powers in relation to operation, management and decision-making are under the Board's authorisation. Details of the duties and responsibilities of the Chairman, Vice Chairman and president are set out in the Articles of Associations.

BOARD COMMITTEES

There are four committees under the Board, namely the audit committee, the nomination and remuneration committee, the strategy and investment committee and the risk management committee. Each committee provides advices and suggestions to the Board with respect to the matters within their scopes of responsibilities. The duties and operation process are explicitly stipulated in the terms of reference of each committee.

In February 2016, the Board considered and approved the resolution regarding amending the terms of reference of the audit committee to supplement requirements relating to risk management and internal control, in accordance with the new revisions made to certain rules in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules by the Hong Kong Stock Exchange. Please refer to the announcement on Terms of Reference of Audit Committee (amended in February 2016) issued by the Company on 3 February 2016. At the same time, the Board also considered and approved the resolution regarding amending the terms of reference of the risk management committee to improve the terms of reference of the risk management committee, including continuous monitoring, regular examination and assessment of the Company's risk management and internal control system. The amended terms of reference of the audit committee and the terms of reference of the risk management committee became effective from 2 February 2016.

Audit Committee

As at the end of the reporting period, the audit committee of the Board comprised four Directors including three Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the Chairman. In July 2015, Mr. Luk Kin Yu, Peter became a member of the audit committee upon receiving approval from the CIRC in relation to his qualification as a Director.

Composition

Chairman: Xu Dingbo (Independent Non-executive Director)

Members: Lau Hon Chuen (Independent Non-executive Director),
Luk Kin Yu, Peter (Independent Non-executive Director),
Yao Zhiqiang (Non-executive Director)

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

Duties and Responsibilities

The audit committee is mainly responsible for reviewing and implementing the Company's internal control system, reviewing and monitoring the Company's internal audit system and related transaction system and their implementation, making recommendations on the appointment of an external auditor and overseeing its relationship with the Company, reviewing the Company's financial information and supervising its financial reporting, and making judgments on the truthfulness, completeness and accuracy of the financial information.

The primary duties of the audit committee include, but are not limited to, the following: (1) review the Company's material financial and accounting policies and practices and their implementation, and supervise our financial operation; (2) evaluate audit controller's performance and make recommendations to the Board; (3) review the Company's fundamental internal audit system and make recommendations to the Board, approve the Company's annual audit plan and budget, supervise internal audit process and monitor its effectiveness; (4) regularly review and assess the soundness and effectiveness of our internal control system on an annual basis, and promptly consider and handle any major complaints in connection with our internal control system; (5) co-ordinate between the internal and external auditors, supervise the improvement and implementation of any significant findings arising out of the internal and external audit; (6) make recommendations to the Board on the appointment, removal, and remuneration of the external auditors, monitor the independence and objectivity of the external auditors as well as the effectiveness of the audit procedures according to applicable standards; (7) develop and implement policy on engaging external auditors to supply non-audit services; (8) ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; (9) review the annual audit reports prepared by our external auditors and other specific opinions, annual audited financial reports and other financial information that is required to be disclosed; give a judgment and report to the Board for review on the truthfulness, completeness and accuracy of the information in the aforementioned financial accounting reports; (10) identify the related parties of our Company and report to the Board and the Board of Supervisors, and promptly notify relevant employees of the related parties identified; (11) perform an initial assessment on any related party transactions that are to be approved at a shareholders' general meeting and Board meeting and submit them to the Board for approval; (12) review and approve or accept filings of related party transactions as authorized by the Board; (13) submit to the Board upon completion of an operational year a detailed report of the Company's related party transactions, implementation of policies governing related party transactions, and the overall status, risk level and structural distribution of our related party transactions that occurred within the operational year; and (14) perform other duties as required by applicable laws, regulations, regulatory documents, the Articles of Association, the relevant requirements of the securities regulatory authorities at the places where the shares of the Company are listed, and other matters as authorized by the Board.

Auditor's fees

In 2015, the fee in respect of audit services provided to the Company and its subsidiaries by Deloitte Touche Tohmatsu CPA Limited (Special General Partnership)/Deloitte Touche Tohmatsu ("Deloitte") was RMB28.32 million. In addition, Deloitte also provided consulting services to PICC P&C regarding information system development and maintenance for a fee of RMB1.782 million, provided consulting service on change of business tax to value added tax and review of embedded value to PICC Life for a fee of RMB2.22 million; provided consulting service on development of solvency II system and review of embedded value to PICC Health for a fee of RMB1.075 million. In total, the total fee for non-audit services provided to the Group is RMB5.177 million.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

Summary of Work Undertaken

During the year, the audit committee of the second session of the board held four meetings, of which 11 proposals were reviewed and approved. Attendance of the members was as follows:

Name	Xu Dingbo	Lau Hon Chuen	Luk Kin Yu, Peter	Yao Zhiqiang
Attendance in person/scheduled attendance	4/4	4/4	1/1	3/4
Percentage of attendance in person	100%	100%	100%	75%
Attendance by proxies/scheduled attendance	0/4	0/4	0/1	1/4
Percentage of attendance by proxy	0%	0%	0%	25%

During the reporting period, the main tasks accomplished by the audit committee included:

- Reviewed and considered the Group's provisional management rule on auditing virtualization business;
- Reviewed and considered the Group's internal control management rules;
- Reviewed and considered the Company's 2014 report on connected transactions and the implementation of its management rules and assessment on internal transactions;
- Reviewed and assessed the report on the results of the special audit of connected transactions of the Company for the year 2014;
- Reviewed and assessed the internal audit work summary for the year 2014 and the internal audit work for the first half of 2015, the audit work plan for the year 2015;
- Reviewed and assessed the self-assessment report on internal control of the Company for the year 2014;
- Reviewed and assessed the resolution in relation to the engagement of auditor for the financial report for the year 2015;
- Reviewed and assessed the management discussion and analysis, result announcement and annual report for the year 2014 as well as the interim result announcement and interim report for the first half of the year 2015;
- Reviewed and considered the entering into connected transactions with PICC P&C regarding south information centre service framework agreement; and
- Received the reporting on the audit work for the year 2014 (audited consolidated and individual financial reports) by Deloitte Touche Tohmatsu, the auditor, received the reporting on the review of the 2015 interim results by Deloitte Touche Tohmatsu, the auditor.

BOARD COMMITTEES *(continued)*

Nomination and Remuneration Committee

As at the end of the reporting period, the nomination and remuneration committee of the Company comprised four Directors including three Independent Non-executive Directors and one Non-executive Director. Since Xiang Huaicheng resigned from the post of chairman, the post of chairman of the Nomination and Remuneration Committee is now vacant. At present, according to the terms of reference of the Nomination and Remuneration Committee of the Board of the Company, one Independent Non-executive Director will perform the duties of the chairman in the interim, and such Independent Non-executive Director should be nominated and elected by over half of the members of the committee. The Company will elect the chairman of the Nomination and Remuneration Committee according to the relevant terms of reference. In July 2015, Mr. Luk Kin Yu, Peter became a member of the nomination and remuneration committee upon receiving approval from the CIRC in relation to his qualification as a Director.

Composition

Members:	Du Jian (Independent Non-executive Director), Xu Dingbo (Independent Non-executive Director), Luk Kin Yu, Peter (Independent Non-executive Director), Wang Qiao (Non-executive Director)

Duties and Responsibilities

The Nomination and Remuneration Committee shall, according to its terms of reference, assist the Board in formulating the procedures and criteria for electing and appointing the Directors and senior management of the Company, conducting initial assessments of the qualifications and background of the potential suitable candidates, reviewing and formulating remuneration plans, performance evaluation systems and incentive schemes for the Directors, Supervisors and senior management; making proposals to the Board, and overseeing the implementation of the plans and systems.

The primary duties of the nomination and remuneration committee include, but are not limited to, the following: (1) analyze the standards and procedures for selection of Directors and senior management hired by the Board; review at least annually the structure, size and composition of the Board (in respect of skills, knowledge and experience among other things); and make recommendations to the Board regarding any proposed changes in order to comply with our corporate strategy; (2) fully consider the board diversity, extensively seek for candidates that are qualified to act as a Director or be hired by the Board as a member of the senior management, and make recommendations to the Board; (3) review the independence of Independent Non-executive Directors; (4) assess and review the candidates for Director and senior management to be potentially hired by the Board, and make recommendations to the Board on plans for appointment, re-appointment and succession of Directors, especially plans for succession of the Chairman and the Chief Executive; (5) examine the assessment standards for Directors and senior management hired by the Board, conduct the relevant assessments and make recommendations to the Board; (6) consider, formulate and examine the remuneration policies and proposals for Directors, Supervisors and senior management hired by the Board through formal and transparent procedures based on standards including salaries paid by comparable companies, time commitment and responsibilities concerned, and employment terms of other positions within our Company and its subsidiaries, and make recommendations to the Board; (7) examine the remuneration proposals of Directors and senior management hired by the Board based on the corporate goals and objectives established by the Board; (8) make recommendations to the Board on special remuneration packages of Executive Directors, Supervisors and senior management hired by the Board, including benefits in kind, pension rights and compensation for loss or termination of office or appointment; (9) make recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors; (10) make independent and prudent suggestions on removal of Directors; (11) review and approve compensation payable to Executive Directors, Supervisors and senior management hired by the Board for any loss or termination of office or appointment to ensure that it is consistent with the terms of related service contracts is otherwise fair and reasonable and not excessive; (12) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that it is consistent with the terms of related service contracts or is otherwise reasonable and appropriate; (13) perform other duties as required by applicable laws, regulations, regulatory documents, the Articles of Association, these regulations, the relevant requirements of the securities regulatory authorities at the places where the shares of our Company are listed, or other matters as authorized by the Board.

BOARD COMMITTEES *(continued)*

Nomination and Remuneration Committee *(continued)*

Director nomination

The nomination and remuneration committee conducts a preliminary examination of the potential candidates for directorship of the Company according to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and provides recommendation opinions to the Board for determining whether they are submitted to the general meeting for election. The nomination and remuneration committee fully considers the board diversity (including but not limited to sex, age, cultural and educational background, expertise, experience, skills, knowledge and term of office) and its advantages, and focuses on the educational background and working experiences, in particular management and research experiences in finance and insurance industries of the candidates, and also pay special attention to the independence of the Independent Non-executive Directors. Therefore, on 24 April 2015, the Board approved the resolution to appoint Mr Li Yuquan be Executive Director. On 26 June 2015, the Board approved the resolution to appoint Ms Hua Rixin and Ms Cheng Yuqin to be Non-executive Director. On 27 March 2015, the Board approved the resolution to appoint Mr Lin Yixiang to be Independent Non-executive Director. Mr Li Yuquan, Ms Hua Rixin and Ms Cheng Yuqin has extensive insurance industry experience, Mr Lin Yixiang has extensive financial industry experience, they will bring benefits to the development of the business of the Company.

Remuneration of Directors and Other Senior Management

The fixed salary of the Executive Directors and other senior management is determined in accordance with market levels and their respective duties and responsibilities, and the amount of their performance-related bonuses is determined according to the various factors including the operating results of the Company and scores on performance appraisals. The amounts of Directors' fees and Supervisors' fees are determined with reference to the market levels and the circumstances of the Company.

For the remuneration of the senior management of the Company by band during the reporting period, please refer to Note 12 to the consolidated financial statements.

During the year, the nomination and remuneration committee held five meetings, at which 12 proposals were studied and reviewed. Attendance of the members was as follows:

Name	Du Jian	Xu Dingbo	Luk Kin Yu, Peter	Wang Qiao
Attendance in person/scheduled attendance	5/5	5/5	1/1	5/5
Percentage of attendance in person	100%	100%	100%	100%
Attendance by proxies/scheduled attendance	0/5	0/5	0/1	1/5
Percentage of attendance by proxy	0%	0%	0%	0%

- Reviewed the matters in relation to the nomination of Mr Li Yuquan, Ms Hua Rixin, Ms Cheng Yuqin and Mr Lin Yixiang as candidates of the second session of the Board of the Company, and made recommendation to the Board;
- Reviewed the nomination of Xie Yiqun as Vice President of the Company and made recommendation to the Board, which has been approved by the Board;

BOARD COMMITTEES *(continued)*

Nomination and Remuneration Committee *(continued)*

Remuneration of Directors and Other Senior Management (continued)

- Reviewed and assessed the implementation of the performance appraisal and incentive scheme of the Company for the year 2014;
- Reviewed and assessed the compensation plan of the Company's key personnel for the year 2014;
- Reviewed and assessed the remuneration settlement scheme for Directors and Supervisors of the Company for the year 2014;
- Reviewed and considered the resolutions on nomination of directors and supervisors of PICC P&C;
- Reviewed and considered adjustments to the organisation structure; and
- Reviewed the performance report of the Directors of the Company for the year 2014 and performance report of the Independent Directors of the Company for the year 2014.

Strategy and Investment Committee

As at the end of the reporting period, the strategy and investment committee of the Company comprised three Directors including two Executive Directors, two Non-executive Directors. Pursuant to the Articles of Association, the Chairman of the committee is served by the Chairman of the Board. In October 2015, Ms Zhang Hanlin resigned from the post of the member of the strategy and investment committee.

Composition

Chairman: Wu Yan (Executive Director)

Members: Wang Yincheng (Executive Director), Yao Zhiqiang (Non-executive Director)

BOARD COMMITTEES *(continued)*

Strategy and Investment Committee *(continued)*

Duties and Responsibilities

The strategy and investment committee is mainly responsible for studying the mid to long-term development strategies and major investment decisions of the Company and providing advices.

The primary duties of the strategy and investment committee include, but are not limited to, the following: (1) review our general development strategy and specific development strategies, and make recommendations to the Board;(2) evaluate factors that may have an impact on our strategic development plans and its implementation in light of domestic and international economic financial conditions and market changes and make prompt strategic adjustment recommendations to the Board; (3) evaluate the overall development of our businesses and make prompt adjustments to strategic recommendations to the Board; (4) review our annual financial budget and final accounts plans, and make recommendations to the Board; (5) review the following matters relating to external investments which requires Board approval: 1. external investment management policies; 2. external investment management plans; 3. decision-making procedures and authorization mechanisms for external investments; 4. strategic asset investment allocation plans, annual investment plans, investment guidelines and relevant adjustment plans; 5. significant direct investments; 6. strategy and operation plans for new investment categories; 7. procedures for evaluating and examining the performance of external investments; (6) explain external investment proposals at shareholders' general meetings and Board meetings upon their request; (7) formulate and revise policies related to our corporate governance, and make recommendations to the Board; (8) supervise the Directors and senior management's training and continuing professional development; (9) develop, amend and regulate the internal code of conduct for our staff and Directors; (10) supervise our disclosure on corporate governance in compliance with the relevant regulatory authorities of the stock exchange on which the company's shares are listed; and (11) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, the relevant requirements of the securities regulatory authority at the places where our Company's shares are listed, or other matters as authorized by the Board.

Summary of Work Undertaken

During the year, the strategy and investment committee held five meetings, of which 19 proposals were reviewed and considered. Attendance of the members was as follows:

Name	Wu Yan	Wang Yincheng	Yao Zhiqiang	Zhang Hanlin
Attendance in person/scheduled attendance	5/5	5/5	5/5	4/4
Percentage of attendance in person	100%	100%	100%	100%
Attendance by proxies/scheduled attendance	0/5	0/5	0/5	0/4
Percentage of attendance by proxy	0%	0%	0%	0%

During the reporting period, the main tasks accomplished by the strategy and investment committee included:

- Reviewed and considered the operation plan and financial budget of the Company for the year 2015;
- Reviewed and considered the corporate governance report of the Company for the year 2014;
- Reviewed and considered the report of the Board of Directors the Company for the year 2014;

BOARD COMMITTEES *(continued)*

Strategy and Investment Committee *(continued)*

Summary of Work Undertaken (continued)

- Reviewed and considered the corporate governance report of the Company for the year 2014;
- Reviewed and considered the financial report of the Company for the year 2014 and the related matters on profit distribution for the year 2014;
- Considered the evaluation report for the implementation of the Group's planning for the year 2014;
- Reviewed and considered the matters of general mandate for the issuance of shares;
- Reviewed and considered resolution on authorising the management to implement market trust investment;
- Reviewed and considered resolution on establishing Beijing Baofu Technology Company Limited;
- Reviewed and considered resolution on establishing PICC Reinsurance Company Limited;
- Reviewed and considered resolution on establishing PICC Pension Management Company Limited;
- Reviewed and considered resolution on amending the articles of association of PICC AMC;
- Reviewed and considered resolution on participation in the capital raising by China Securities Credit Investment Co., Ltd.;
- Reviewed and considered resolution on establishing PICC E-Finance Service Company Limited;
- Reviewed and considered resolution on purchasing shares in Hua Xia Bank Co. Ltd. by PICC P&C from Deutsche Bank; and
- Reviewed the report on rights issue (placing) of PICC P&C in 2014.

Risk Management Committee

As at the end of the reporting period, the risk management committee of the Company comprised three Directors including one Executive Director, one Non-executive Director and one Independent Non-executive Director, and the Independent Non-executive Director served as the Chairman. In October 2015, Ms Li Shiling and Mr Ma Qiang resigned from the post of the member of the risk management committee.

Composition

Chairman:	Lau Hon Chuen (Independent Non-executive Director)
Members:	Zhuang Chaoying (Executive Director), Wang Qiao (Non-executive Director)

BOARD COMMITTEES *(continued)*

Risk Management Committee *(continued)*

Duties and Responsibilities

The risk management committee is mainly responsible for having a comprehensive understanding of all major risks faced by the Company and its respective management status, supervising the operational effectiveness of the risk management system.

The primary duties of the risk management committee include, but are not limited to, the following: (1) be responsible for our risk management, have a full understanding of various significant risks and the respective management status, supervise the operational effectiveness of our risk management controls; (2) review our overall goals, fundamental policies and terms of references for risk management, and make suggestions and recommendations to the Board; (3) review and approve our risk management organization and corresponding responsibilities, and make suggestions and recommendations to the Board; (4) review significant risk evaluations and solutions on material decisions, and make suggestions and recommendations to the Board; (5) review our annual risk evaluation report and make suggestions and recommendations to the Board; (6) review and submit our annual compliance report to the Board; (7) review and assess our interim compliance report; (8) consider suggestions made in relevant compliance reports and make recommendations to the Board; (9) formulate and amend the internal compliance code applicable to the company's staff and Directors, assess and supervise our compliance policies and status, and make recommendations to the Board; and (10) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, or other matters as authorized by the Board.

Summary of Work Undertaken

During the year, the risk management committee held two meetings, at which five proposals were studied and reviewed. Attendance of the members was as follows:

Name	Lau Hon Chuen	Zhuang Chaoying	Wang Qiao	Li Shiling	Ma Qiang
Attendance in person/scheduled attendance	2/2	1/2	2/2	1/2	0/2
Percentage of attendance in person	100%	50%	100%	50%	0%
Attendance by proxies/scheduled attendance	0/2	1/2	2/2	1/2	2/2
Percentage of attendance by proxy	0%	50%	50%	50%	100%

During the reporting period, the main tasks completed by the risk management committee included:

- Reviewed and considered the renewal of liability insurances for the Directors, Supervisors and senior management of the Company;
- Reviewed and considered the Compliance Report of the Company for the year 2014;
- Reviewed and considered the Risk Evaluation Report of the Company for the year 2014;
- Reviewed and considered the "Solvency II" solvency report for the first half of 2015; and
- Inspected the half-year compliance report of the Company for the year 2015.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company believes that good risk management and internal control play an important role in the operation of the Company. The Board actively engages in the establishment of effective risk management and internal control systems, as well as the implementation and supervision of risk management and internal control. The Board is ultimately responsible for the risk management, internal control, and compliance policy formulation of the Company. It makes decisions on risk management, internal control and compliance policies, approves the annual risk assessment report, internal control evaluation report and compliance report, and reviews the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. An audit committee has been established under the Board to be responsible for the supervision and evaluation of all kinds of matters including risk management and internal control compliance; a risk management committee has been established to be responsible for having a comprehensive understanding of significant risks faced by the Company and relevant risk management, as well as supervising the effectiveness of the operation of risk management system. The Company has established a risk and compliance committee as a comprehensive coordination organization under the senior management, which is responsible for guiding, coordinating and supervising the development of risk management, internal control and compliance by the Company and all our subsidiaries. The business, finance, investment and other functional departments or operating units of the Company and all our subsidiaries assume primary responsibilities in their respective internal control systems; specialized organizations or departments such as the risk management department and the internal control and compliance department are responsible for planning risk management policies beforehand or at present when a situation arises and organizing its implementation, internal control and compliance; internal audit organizations or departments are responsible for supervising and carrying out periodically auditing in relation to the effectiveness of risk management, internal control and compliance, and investigating the accountability for any violation of requirements.

The Company has, pursuant to the requirements of risk management and internal control standards such as the Basic Guidelines for Internal Controls of Enterprises (CK (2008) No.7) issued by the MOF, China Securities Regulatory Commission National Audit office of the People's Republic of China, China Banking Regulatory Commission and CIRC and its supporting guidance, the Principal Rules for the Internal Control of Insurance Companies (BJF (2010) No. 69) issued by CIRC, the Guidelines for Risk Management of Insurance Companies (Trial) issued the CIRC (BJF (2007) No. 23) and China Risk Oriented Solvency System Regulations, perfected the risk management and internal control system, executed risk management and internal control with governing documents such as the Internal Control Administration Measures, the Internal Control Manual, the Internal Control Evaluation Manual, the Provisional Measures for Risk Management, and guiding major subsidiaries to promote the construction of risk management and internal control systems in accordance with the foregoing supervisory regulations. In 2015, the Company carried out comprehensive self-assessments of risk assessment and internal control evaluation covering the entire Group. Through optimized risk assessment and internal control evaluation strategy, we widened the aspect of internal control evaluation, ratified effectively the deficiency of internal control evaluation while the Company and its subsidiaries has further optimized the risk management and internal control procedures and perfected internal control measures.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

In 2015, the Company continued to strengthen the establishment of the risk management and internal control system, actively promoted the connection and trial operation which comply with China Risk Oriented Solvency System issued by the CIRC, carried out risk appetite system and economic capital construction projects, determined the special risk management strategy, facilitated the construction of special risk management system and mechanism, increase the efforts in key risk management and controls, perfected the risk base data platform, reinforced the risk data collection and management mechanism, promoted the construction of internal control system of grassroots units, improved professional knowledge and capability of the risk management and internal control team. PICC P&C actively cooperated with the external inspection, proactively investigated the operational risk, improved the risk management and control ability, created additional control manners and methods, continued to optimize the internal control mechanism process, continuously increased the capacity of internal control on the effective support of operation management, PICC AMC amended its internal control compliance system on a timely basis, perfected the internal control specialist mechanism, implemented the quarterly evaluation on risk aspects, continued to update and optimize the system process, fully utilised information technology to achieve the automation of control measures, increased the width and depth of control at present and subsequent supervision, strengthened the implementation and execution of internal control measures. PICC Health carried out further perfection of its risk management system, implemented risk management liability, and strengthened risk identification, monitoring and assessment, actively carried out risk control, supervision and inspection beforehand, at present and subsequently. PICC Life continued to strengthen the establishment of internal control, risk management system and work flow, actively arranged and conducted special inspection, effectively prevented and resolved the Company's operational risks. PICC Investment focused on the business of real estate direct investment, financial products and assets operation, further perfected the regulation and system, established the contract model, optimized the work process, carried out internal control evaluation and defect rectification work, reinforced three defense functions of risk management, well complete the risk evaluation and response.

The Board and the audit committee received and discussed the Company's Internal Control Evaluation Report for the year 2014, and the Board and the risk management committee received and discussed the Company's Risk Evaluation Report and Compliance Report for the year 2014 so as to ensure the continuous improvement and effectiveness of the internal control system.

BOARD OF SUPERVISORS

During the year, the Board of Supervisors adhered to laws and performed its duties of supervision, enhanced the supervision over significant events, the supervision of the performance of the respective duties by the Directors and senior management, focused on carrying out special investigation and studies, made proposals with respect to the deepening of implementation of strategies and the prevention of business risks to the Board and operation management.

Composition

Chairman: Mr. Lin Fan

Supervisors: Mr. Yu Ning (Independent Supervisor), Mr. Xu Yongxian (shareholder representative Supervisor), Ms. Li Yongmei (employee representative Supervisor), Ms. Yao Bo (employee representative Supervisor)

BOARD OF SUPERVISORS *(continued)*

Composition (continued)

During the year, there are no changes in the members of the Board of Supervisors.

On 29 January 2016, Mr. Wang Dajun was elected as an employee representative supervisor of the Company at the 5th meeting of the second session of the employee representative committee. His qualification was approved by the CIRC on 22 March 2016. Ms. Li Yongmei resigned from the post of employee representative supervisor of the Company with effect on the same day. Please refer to "Directors, Supervisors, Senior Management and Employees" section of the 2014 annual report of the Company for the biographical details of Ms. Li Yongmei.

Duties and Responsibilities

The Board of Supervisors shall report to the shareholders' general meeting, continuously supervise the health and effectiveness of the Company's financial position, compliance status and internal control as well as constantly supervise the performance of duty and responsibility by Directors and senior management.

The primary duties of the Board of Supervisors include the following: (1) report its work in the shareholders' general meeting; (2) examine the Company's financial conditions; (3) supervise the conduct of the Directors and senior management in their performance of duties; propose the removal of Directors and senior management who have contravened any law, regulation, the Articles of Association or resolutions of the shareholders' general meeting; (4) demand rectification from a Director or any senior management when the acts of such persons are harmful to the Company's interest; (5) propose convening a shareholders' general meeting and to convene and preside over the shareholders 'general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting; (6) propose resolutions at the shareholders' general meeting; (7) bring an action against a Director or senior management pursuant to the Company Law; (8) hold investigations when uncovering the Company's abnormal operations, and hire accounting firms, law firms or other professional organizations to assist if necessary, with the relevant expenses to be paid by the Company; and (9) exercise other powers specified under laws, regulations, regulatory documents, the Articles of Association and as granted by the shareholders' general meeting.

Summary of the Work Undertaken

During the year, the Board of Supervisors, pursuant to the relevant provisions of the Company Law and the Articles of Association, earnestly fulfilled its duties, and protected the interests of the Company, shareholders and employees. During the year, the Board of Supervisors convened five meetings and considered, reviewed and received 35 resolutions. The Due Diligence Supervision Committee convened one meeting, the Finance & Internal Control Supervision Committee convened three meetings. The attendance of meetings was as follows:

Name	Lin Fan	Yu Ning	Xu Yongxian	Li Yongmei	Yao Bo
Attendance in person/scheduled attendance	5/5	5/5	5/5	4/5	5/5
Percentage of attendance in person	100%	100%	100%	80%	100%
Attendance by proxies/scheduled attendance	0/5	0/5	5/5	1/5	0/5
Percentage of attendance by proxy	0%	0%	0%	20%	0%

See the "Report of the Supervisors" section for the work of the Board of Supervisors for the year.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Company did not amend the Articles of Association during the year.

INVESTOR RELATIONSHIP

After publishing the results for the year 2014 and the interim results for the year 2015, the Company communicated with investors with respect to the Company's operation result and business development trend through press conferences and roadshows. Also, the Company invited certain shareholders to attend the Company's annual work conference to understand the operation and development of the Company. The Company strengthened daily communication with investors through receiving visits of investors, participating in large investor forums, and replying to telephone and email enquiries on a timely basis. The Company also establishes and maintains a good relationship with investors through the investor relations information on its website.

The Company has designated the Secretariat of the Board to be responsible for enquires received through telephone, fax, mail and post. Please refer to the last page of this annual report for the Company's contact details, including telephone number, fax number, email address and registered address. The "Investor Relations" pages on the Company's website (www.picc.com), provides regularly updated information of the Company.

Report of the Board of Directors

The Board presents its report and audited financial statements of the Company and its subsidiaries for the year ended 31 December 2015. During the reporting period, there have been no significant changes to the scope of the Company's principal activities.

BUSINESS REVIEW

A review of the Group's business during the year, description of future business development, and description of possible risks and uncertainties that the Group may face, are set out in Chairman's Statement and Management Discussion and Analysis of the Annual Report. Management Discussion and Analysis section also contains financial highlights of the Group, and using financial key performance indicators to analysis the Group's performance during the year. Events which happened subsequent to the balance sheet date and have significant effect to the Group set out in Note 50 "Events After the Reporting Period" to the Consolidated Financial Statements. In addition, description of the environmental protection policies of the Group, relationship with major customers and employees and compliance with relevant laws and regulations which have significant effect to the Group, set out in Corporate Social Responsibility, Report of the Board of Directors and Significant Events of the Annual Report.

PRINCIPAL ACTIVITIES

The Company is a leading large-scale integrated insurance financial group in the PRC engaged in P&C insurance business, life and health insurance business and asset management business through its subsidiaries.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year are set out in Consolidated Financial Statements and Notes.

The net profit of the Company for the year 2015 as presented in the audited financial statements amounted to RMB2.986 billion. Pursuant to the Articles of Association and other relevant provisions, after appropriation of 10%, or RMB299 million of the net profit in the financial statements as statutory reserve, the distributable profit realized for the year was RMB2.687 billion. The Board has recommended a payment of cash dividend of RMB0.226005 per 10 shares (inclusive of tax), calculated on the basis of a total share capital of 42.424 billion shares, amounting to a total of approximately RMB 959 million, subject to the approval of shareholders at the annual general meeting to be held on 24 June 2016 (Friday). Subject to approval, the final dividend is expected to be paid on or around 19 August 2016 (Friday) to the holders of H shares whose names appear on the H share register of members of the Company on 6 July 2016 (Wednesday).

The above proposal will be put forward to the annual general meeting for consideration and approval. The specific arrangements regarding dividend and its distribution will be disclosed separately in the circular for the annual general meeting.

WITHHOLDING AND PAYING INCOME TAX ON THE DIVIDENDS PAID FOR OVERSEAS INDIVIDUAL SHAREHOLDERS AND NON-RESIDENT ENTERPRISE SHAREHOLDERS

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), the Implementation Regulations of the PRC Individual Income Tax Law (中華人民共和國個人所得稅法實施條例), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法(試行)>的通知(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (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)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay income tax on the dividends paid including individual income tax for the Overseas individual shareholders and enterprise income tax for non-resident enterprise shareholders in respect of the final dividend for the year 2015 to be distributed to them. The details of withholding and paying income tax on the dividends paid for overseas individual shareholders and non-resident enterprise shareholders will be disclosed separately in the circular for the annual general meeting.

FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the past five years to the end of the reporting period is set out in the “Financial Highlights” section of this annual report.

BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the property and equipment and investment properties of the Group during the year are set out in Note 28 and Note 27 to the consolidated financial statements respectively. As at 31 December 2015, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceed 5%.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are as follows:

The total share capital of the Company had no change in 2015. The share capital of the Company as at 31 December 2015 was as follows:

Name of Shareholder	Class	Number of Shares	Percentage of registered capital
MOF	Domestic Shares	29,896,189,564	70.47%
NSSF	Domestic Shares	3,801,567,019	8.96%
	H Shares	615,879,000	1.45%
Other H-share shareholders	H shares	8,110,355,000	19.12%
Total		42,423,990,583	100.00%

PRE-EMPTIVE RIGHTS

During the reporting period, pursuant to relevant laws of the PRC and the Articles of Association, the shareholders of the Company had no pre-emptive rights, and the Company did not have any share option arrangement.

REPURCHASE, DISPOSAL AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries had not repurchased, disposed of or redeemed any listed securities of the Company and its subsidiaries.

RESERVES

Details of reserves of the Group are set out in Note 42 to the consolidated financial statements, and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of 31 December 2015, the distributable reserves of the Company amounted to RMB9.604 billion.

CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in 2015 were RMB72.3095 million, of which the donations made by the Company were RMB10 million.

EQUITY-LINKED AGREEMENT

During the reporting period, the Company did not enter into any equity-linked agreement.

MAJOR CUSTOMERS AND EMPLOYEES

During the reporting period, the Company had no individual customer with premium income exceeding 5% of the annual premium income of the Company and its subsidiaries. The contribution of the Company's business of any single customer is insignificant to the overall business of the Company. Premium income from the top five customers accounted for not more than 30% of the total premium income of the Company and its subsidiaries. As at 31 December 2015, there were approximately 0.1937 million employees of the Company. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all customers and employees. The business and financial condition of the Company have not relied on particular customer(s) or employee(s).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographies of the Directors, Supervisors and senior management of the Company are set out in the "Directors, Supervisors, Senior Management and Employees" section of this annual report. Details of day-to-day work of the Board are set out in the "Corporate Governance Report" section of this annual report. The list of Directors of the Company and changes in directors are set out in "Corporate Governance Report – The Board" section of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

During the reporting period, none of the Directors and Supervisors of the Company and their connected entities entered into any service contracts with the Company or its subsidiaries which could not be terminated within one year or without payment of compensation other than statutory compensation.

Details of the remuneration of the Directors and Supervisors of the Company are set out in Note 12 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company during the reporting period are set out in Note 13 to the consolidated financial statements.

INDEMNITY FOR DIRECTORS

During the reporting period and up to the date of this annual report, there had been no permitted indemnity provision nor permitted indemnity provision that remained effective for the benefits of Directors or directors of subsidiaries. From December 2014 to December 2015, the Company had purchased insurance as appropriate for Directors against legal liabilities arising from performance of their duties. Such insurance policies are governed by PRC laws.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the reporting period, none of the Directors or Supervisors of the Company had any material interest, whether directly or indirectly, in transactions, arrangements or contracts of significance of the Company and its subsidiaries signed with external parties.

MANAGEMENT CONTRACTS

During the reporting period, the Company did not sign any management contracts with respect to the entire or principal business of the Company.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

During the reporting period, the Company and its subsidiaries did not sign any contracts of significance (including those for the provision of services) with the controlling shareholder.

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2015, none of the Directors, Supervisors and senior management had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the reporting period, the Directors and Supervisors of the Company had no direct or indirect interests in businesses that might compete, either directly or indirectly, with the business of the Company.

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO

As far as the Directors of the Company are aware, as at 31 December 2015, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the SFO, or required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total issued domestic shares *(Note 3)*	Percentage of total issued shares *(Note 4)*
MOF	Beneficial owner	29,896,189,564	Long position	88.72%	70.47%
NSSF	Beneficial owner	3,801,567,019	Long position	11.28%	8.96%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total issued H shares *(Note 5)*	Percentage of total issued shares *(Note 4)*
American International	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
NSSF *(Note 1)*	Beneficial owner	615,714,000	Long position	7.06%	1.45%
BlackRock, Inc. (“BlackRock”) *(Note 2)*	Interest of controlled corporation	496,662,245	Long position	5.69%	1.17%

Note:

1. NSSF, as the beneficial owner, holds 615,714,000 H shares. In addition, it holds 13,435,000 H shares as asset manager and nominee via State Street Global Advisors (“SSGA”). Accordingly, NSSF is deemed to be interested in the aforementioned H shares.

2. BlackRock is deemed to be interested in 496,662,245 H shares (5.69%) through its controlled entities, namely, Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Advisors, LLC, BlackRock Japan Co., Ltd., BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock Asset Management North Asia Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Asset Management Deutschland AG, BlackRock Fund Managers Limited, BlackRock Life Limited, and BlackRock Asset Management (Schweiz) AG.

3. As at 31 December 2015, the total issued domestic shares of the Company was 33,697,756,583 shares.

4. As at 31 December 2015, the total issued shares of the Company was 42,423,990,583 shares.

5. As at 31 December 2015, the total issued H shares of the Company was 8,726,234,000 shares.

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO *(continued)*

Save as disclosed above, as of 31 December 2015, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors as of the latest practicable date prior to the publication of this annual report, 18.86% of the issued share capital of the Company was held by the public. Since PICC Life established a joint venture with AIG APAC, AIG becomes a core connected person of the Company pursuant to Rule 1.01 of the Listing Rules as AIG is an close associate of the substantial shareholder of the joint venture. The Company made an application to the Hong Kong Stock Exchange which has exercised its discretion under Rule 8.08(1) of the Listing Rules to regard AIG as part of "the public" when considering whether the Company complies with the requirement of minimum public float of 18.44%. H shares held by NSSF and Tokyo Marine & Nichido Fire Insurance Co., Ltd. are not deemed as the shares held by the public for the purposes of Rule 8.08(1) of the Listing Rules.

CONNECTED TRANSACTIONS

During the reporting period, the Company had no connected transactions required to be disclosed pursuant to Chapter 14A of the Listing Rules. Please refer to Note 46 to the consolidated financial statements "Related Party Disclosures" for particulars of the related party transactions defined under International Financial Reporting Standards; such transactions are not connected transactions or continuing connected transactions as defined under Chapter 14A of Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the "Corporate Governance Report" section of this annual report.

AUDIT COMMITTEE

The audit committee has reviewed the audited financial statements for the year. The composition, roles and the summary of work undertaken by the audit committee are set out in the "Corporate Governance Report" section of this annual report.

AUDITORS

As reviewed and approved by the shareholders' meeting in 2014, the Company engaged Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the auditor of the Company for the financial statements for the year ended 31 December 2015, prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) and the International Financial Reporting Standards respectively. There are no changes in of the Company's auditors in the past three financial years.

By the order of the Board
Chairman
Wu Yan

Report of the Board of Supervisors

During the year, all members of the Board of Supervisors of the Company have, in accordance with relevant provisions of the Company Law and the Articles of Association, encircling the focus work of the Company, played the role of "facilitating supervision", earnestly fulfilled duties of supervision and effectively safeguarded the interests of the shareholders, the Company and the employees.

PERFORMANCE OF THE BOARD OF SUPERVISORS

Organizing and convening Supervisors' meetings in accordance with the law and performing supervisory functions

During the year, the Board of Supervisors convened five meetings and considered and received 35 resolutions, it made suggestions and recommendations to the relevant resolutions, and gave feedback to the Board and the operation team of the management, with details as follows:

First, on 27 March the sixth meeting of the second session of the Board of Supervisors was convened, the "Resolution of the 2014 final accounts", the "Resolution of the 2014 profit distribution proposal", the "Resolution of the 2014 Management discussion and analysis", the "Resolution of the results announcement for the year 2014 and the annual report for the year 2014", the "Resolution of the engagement of auditor for the financial report for the year 2014", the "Resolution of the corporate governance report for the year 2014", the "Resolution of the Board of Supervisors 2014 Work Report" and the "Resolution of the Board of Supervisors 2015 Work Plan" were considered and approved, the "Resolution of promotion and establishment of Beijing Baofu Technology Co., Ltd. (北京保付科技有限公司)", the "Resolution of promotion and establishment of PICC Reinsurance Co., Ltd. (人保再保險股份有限公司)", the "Resolution of sole promotion and establishment of Pension Funds Management Co., Ltd. (養老金管理有限公司)", the "Report on right issue of The People's Insurance Company (Group) of China Limited in 2014", and the "Resolution of the internal audit work summary of the Company for the year 2014 and audit work plan for the year 2015" and the "Resolution of Segment Analysis of Audit Issues and Comprehensive Rectification Report for the year 2014" were received.

Second, on 24 April the seventh meeting of the second session of the Board of Supervisors was convened, the "Resolution of the assessment report on the implementation of development plan for the year 2014", the "Resolution of the internal control administration measures for the year 2014", the "Resolution of the assessment report on internal control for the year 2014", the "Resolution of the risk assessment report for the year 2014", the "Resolution of the compliance report for the year 2014" and the "Resolution of assessment and evaluation report for performance of directors for the year 2014" were considered and approved, also the "Resolution of business plan for the year 2015", the "Resolution of fixed assets investment budgets for the year 2015", the "Resolution of the performance report of directors for the year 2014", the "Resolution of the performance report of independent directors for the year 2014", the "Report on the Company's connected transactions and the implementation of its connected transactions management system for the year 2014 and internal transaction assessment" and the "Report on specific auditing results of connected transactions of the Company for the year 2014" were received.

Third, on 26 June the eighth meeting of the second session of the Board of Supervisors was convened, the "Resolution of Participation in Capital Increase in China Securities Insurance Co., Ltd." was received.

Fourth, on 27 August the ninth meeting of the second session of the Board of Supervisors was convened, the "Resolution of the Interim Management discussion and analysis" the "Resolution of the interim report and interim result announcement for the year 2015", the "Resolution of the Payment Capability Report for PICC in China Risk Oriented Solvency System for the first half of 2015 " were considered and approved, also the "Compliance report of the Company for the first half of 2015" and the "Risk management and internal control summary of the Company for the first half of 2015", the "Resolution of Internal Audit Work Summary for the first half of 2015 and Work Plan for the second half year", the "Resolution of Segment Analysis of Audit Issues and Comprehensive Rectification Report for the first half of 2015" were received.

Fifth, on 28 December the tenth meeting of the second session of the Board of Supervisors was convened, the "Resolution of Acquisition by PICC P&C of Shares in Hua Xia Bank Held by Deutsche Bank".

During the year, as required by their duties, the Diligence Supervision Committee of the Board of Supervisors convened one meeting, the Finance & Internal Control Supervision Committee convened three meetings, they proposed their opinions on the related resolutions, and reported to the Board of Supervisors.

A multi-faceted approach to supervision

In addition to the Supervisors' meetings referred to above, the Board of Supervisors also adopts various methods in order to supervise the decision-making procedures and the duty performance of the Board and the management involved in operations.

During the year, the Supervisors attended two shareholders' meeting, six Board meetings on-site, and seven meetings of Board committees, participated in the resolution communication meetings 11 times. The Supervisors also attended the annual work meeting and semi-annual work meeting, quarterly "One-to-one" operational trend analysis meeting and the special seminar for transformation development of subsidiaries in personal insurance in order to understand the overall operation condition of the Group and the development in each business segment, and to perform the supervisory duties.

Besides, the Board of Supervisors focused on strengthening the study of the Company's material investment and operational management, making relevant advice and recommendation and keeping a close eye and learning about on the implementation of the resolutions of the shareholders' meetings and board meetings.

Finance and internal control supervision with a focus on key points

The Board of Supervisors based on the relevant regulations actively performed the supervision duties of the finance and internal control of the Company, promoted the science and compliance of the financial management of the Company, and the completeness and effectiveness of the internal control system.

During the year, the Board of Supervisors seriously reviewed the announcements and reports of the annual and interim results, the annual business plan and budget proposals, reminded the management to analyze objectively the changes in core indicators of main business segments on the back of overall results growth of the Group, continued to focus on scientific aspect, standardization and actual execution effects of the business plan and financial budgets of the Company; concerned and reminded the strategy and related market risk on significant equity investments; it seriously reviewed the annual compliance report, internal evaluation report, risk assessment report, continued to understand the establishment, healthiness and operation of internal control, risk management mechanism of the Company and made suggestions.

Besides, the Board of Supervisors convened one special meeting, on which it received the report of special inspection of "Two enhancements, Two containments"; convened two communication meetings, on which communicated with the financial management department and external auditors on annual audit of the Company, profitability of subsidiaries' products and other significant events, it proposed its opinions and suggestions as feedback to the Board and the operation team of the management.

Conducting detailed investigations as well as practical supervision

During the year, the Board of Supervisors completed the Research Report for Development of the Group's Insurance Business in Central Cities, in which made the suggestions on further implementation of the customer-oriented transformation of the Group, promotion of its resources integration based on the integration requirements, further enhancement in the innovation driven business development and other aspects. During the year, the Board of Supervisors arranged and carried out the special investigations and studies on transformation development of PICC Life, went to the relevant departments at the head offices of PICC Life and their subsidiaries in Beijing to visit and communicate, understand the results achieved in its transformation development, and made their suggestions on the issues to which were paid more attention in its transformation.

Besides, the Board of Supervisors also sent the related Supervisors to attend the joint commission of directors and supervisors of the Company. They went to conduct investigations in the subsidiaries in Guizhou, understood the operation management, business development of the fundamental entities, and made relevant suggestions.

Reinforcing systems capabilities in order to improve supervision standards

During the year, the Board of Supervisors continued to perfect its work mechanism, organized the Office to the Board of Supervisors to make a positive and useful exploration in the implementation and feedback mechanism for the concerns of the Board of Supervisors, the mechanism for the Board of Supervisors attending the operation management meetings, the cooperative work mechanism between subsidiaries and the parent under a group structure, the supervision work process on performance of the directors and senior management, the work process on performance and assessment of the supervisors, the supervision work process for financial and internal control. The Board of Supervisors also emphasized on building the capabilities of the Supervisors in terms of their performance of duties, it encouraged the Supervisors to actively take part external training organized by the Hong Kong Stock Exchange, the Insurance Institute of China, etc. and it arranged several internal focusing on specified topics to share with others and enhanced its professionalism.

PERFORMANCE OF THE SUPERVISORS

Based on the work of the attendance of all members of the Board of Supervisors in the shareholders' meeting, meetings of the Board of Supervisors and its committees, their attendance in the meetings of the Board of Directors and its committees, the participation in the investigations of the Board of Supervisors, the Board of Supervisors is of the view that during the year 2015 the performance of all members of the Board of Supervisors met expectations, their performance reached the corporate requirements of the Company Law and other laws and regulations and the Articles of Association, they were able to perform the duties as Supervisors earnestly and diligently, and they effectively safeguarded the interests of the shareholders and the Company.

INDEPENDENT OPINIONS DELIVERED BY THE BOARD OF SUPERVISORS WITH RESPECT TO RELEVANT MATTERS

(1) Operation of the Company in accordance with law

The Board of Supervisors believes that during the reporting period, the Company operated in accordance with the law, the operating activities of the Company complied with the provisions of the Company Law and the Articles of Association, the decision making procedures of the Board and the management involved in operations were legal and effective, the Directors and senior management were loyal, diligent and faithful in the course of business operation and management and no behavior was found to be in violation of laws or regulations which would damage the interests of the shareholders or the Company.

(2) Facts about the financial statements

The annual financial statements of the Company are a true and objective presentation of the financial position and operating results of the Company. The financial statements of the Company for the year 2015 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively in accordance with the corresponding independent auditing standards, which have issued audit reports with standard and clean opinions.

(3) Material investments and acquisitions of assets

With respect to material investments and acquisitions of assets during the reporting period, the Board of Supervisors is not aware of any insider transactions or actions that could damage the interests of the shareholders or lead to a loss of the Company's assets.

(4) Connected transactions

During the reporting period, the connected transactions of the Company were fair and reasonable and no damages to the interests of the shareholders or the benefits of the Company were found.

(5) Review of internal control

During the reporting period, the management of the Company attached great importance to the construction of an internal control system. The Company established a complete, reasonable and effective internal control system, which enhanced the level of internal control management. The Board of Supervisors had considered the Internal Control Evaluation Report of the Company for the year 2015, and had no objection to such report.

(6) Implementation of resolutions adopted at the shareholders' meetings

The members of the Board of Supervisors attended the shareholders' meetings and the Board meetings, and had no objection to the contents of resolutions submitted by the Board to the shareholders' meetings. The Board of Supervisors supervised the implementation of resolutions adopted at the shareholders' meetings, and considered that the Board was able to implement the relevant resolutions earnestly.

Corporate Social Responsibility

In 2015, abiding by the mission and responsibility of "People's Insurance serves the People", the Group has proactively synchronized with the overall development, considered and positioned the right timing and pivot of its reform and development from a global perspective, constantly contributed to the enhancement of the economic and social large layout, continuously pushed ahead the transformation to customer-oriented system, and vigorously advocated the corporate culture of "People-oriented and Strive Forward in Harmony", so as to realise the mutual promotion between economic benefits and social benefits and achieve joint growth in the returns to the shareholders, customers, employees and society.

Constantly promoting product and service innovation, boosting the implementation of national significant strategies through service. Under the proactive coherence with national policies, the Group assisted with the implementation of significant national development strategies through product innovation, model innovation and capital ultilisation. By serving the innovation-driven development strategy, it took the lead in setting up first unit (set) of significant technical equipment insurance pool with written premiums exceeding RMB148 million, provided insurance coverage limit of RMB6.03 billion, and undertaken the technology insurance risk liability of RMB134.559 billion. It served the "Going Out" strategy of the state and actively developed export credit insurance, whereby realizing the premiums income of RMB286 million and undertaking the risk liability of over RMB140 billion. As the service was beneficial to the financial development, it promoted the new model of insurance fund's direct support in agriculture, rural areas and farmers, small and micro enterprises in over 10 provinces and cities including Zhejiang and Guangdong and launched the first structured transaction proprietary asset management products for agriculture and small and micro enterprises, whereas realising an effective connection of insurance fund and real economy and achieving a substantive development in new model of innovation benefiting financial development.

Actively leveraging on the social management function of insurance, promoting the modernization of national management system through service. By seizing the opportunities of comprehensive deepening reform and fully administering the country according to the law, the Group intensified its efforts in developing liability insurance and credit insurance and further explored farmhouse insurance and social security insurance, which assisted in boosting the enhancement of the market system and construction of the management system. It explored and established the social management system of joint management by the government, enterprises and public, with a constant improvement in the capabilities in serving the social management innovation. Through keeping a close eye on the "pain point" of the society and grasping the development opportunities, it accelerated the integration of liability insurance with the national management system and achieved new breakthroughs in liability insurance business like safe production, medical safety and food safety. During the year, it achieved gross written premiums of RMB11.605 billion in respect of liability insurance, representing an increase of 14.9% compared to the corresponding period last year, with risk coverage limit of RMB33.8 trillion.

Continuously improving the insurance service capability for agriculture, rural areas and farmers, facilitating the implementation of the state's supportive and favorable policies to the farmers through service. The Group constantly perfected the rural insurance service system and proactively pushed forward the construction of rural network, with an aim of fully opening up the "last kilometer" of insurance serving farmers, which became the insurance enterprise with most extensive network coverage of rural institutions and most insurance service staff for agriculture, rural areas and farmers in China. It earnestly implemented the spirit of building modern agriculture industry system by the central government and vigorously promoted the service innovation for agriculture, rural areas and farmers whilst consolidating the traditional plantation sector and breeding sector insurance. It successfully issued the first stockbreeding weather index insurance and agricultural products future price insurance in the country and diversified the natural risk and market risk for the main body of the industrialization, with a constant improvement in the capabilities in serving the modern agriculture industrialization. In 2015, the gross written premiums attributable to the agriculture insurance segment of the Group amounted to RMB18.944 billion, representing an increase of 10.5% compared to the corresponding period last year, with a market share of 50.3%. It had underwritten 587 million mu of farmland, 1,254 million mu of forest and 93.572 million policy-related farmhouses in underwritten insurance policies, in aggregate it provided the protection against agriculture and farmhouse risks for RMB2.43 trillion.

Active innovation in healthcare and elderly-care service model, promotion of construction of social security system with multiple levels through service. Leveraging on the concern on the public welfare by the central government, the Group assisted with the construction of social security system and actively promoted the classic experience in sectors including "Zhanjiang model" and "Taicang experience", providing the decision-making basis for the top-level system design incorporating critical illness insurance. It proactively explored the basic elderly-care processing model, devoted efforts to developing supplementary pension and annuity business. In addition to innovation in insurance service targeting at one-child families and elders who lost their only child, etc., it launched Dalian Yiyuan (大連頤園) pension related insurance products to satisfy the people's multi-level retirement protection demand. By seizing the opportunities of comprehensive launch of critical illness insurance for urban and rural residents and leveraging on its edge in internal coordination, it strengthened its internal service joint efforts and set up social medical insurance service centers so as to enhance the critical illness insurance operation and management model and realise a constant improvement in capabilities of critical illness insurance processing services. In 2015, the Group's critical illness insurance business covered 28 provinces and 211 regions, with customers exceeding 350 million people. It achieved premiums income of RMB9.861 billion, with a market share of 39.1%. Through making active layout to the health management industry chain, it signed a contract with 535 third-level grade-A hospitals and 2,084 experts above the grade of deputy chief physician to provide differentiated and high quality health management service for customers.

Constant emphasis on disaster claim settlement service, promotion of the construction of disaster relief system through service. The Group took active participation in significant disaster accident risk management and actively drove the construction of catastrophe risk management system. During the year, it undertook the risk liability of RMB365 trillion in aggregate, which was 5.4 times as compared to GDP of the same period. With full efforts in large disaster claim settlement, it made active response to significant natural disasters including the drought of northeast and north China, typhoon "Rainbow(彩虹)", "Chan Hung", Nepal earthquake, and made timely and prudent settlement of significant safety accidents including sinking of the cruise ship "Eastern Star", the explore in Binhai new area, Tianjin, and paid compensation of RMB243 million in total to Tibet "4•25" earthquake, playing an active role in disaster relief and reconstruction work after the disasters, etc. For the construction of catastrophe risk management system, it participated in the catastrophe insurance system design and pilot project in places like Ningbo and initiated the establishment of urban and rural residential building earthquakes catastrophe insurance pool, which gained full recognition from CIRC.

Speeding up the transformation to customer-oriented system, continuously improving customer consumption experience and satisfaction. With introduction of new technologies like mobile internet, innovation in service platform, optimization of service interface and improvement of service efficiency, the Group launched WeChat public service number, PICC club APP, counter service all-in-one machine, WeChat self-service claims settlement and i maintenance service projects to improve the customer experience using high quality and personalized service, with third-party customers' satisfaction exceeding that of major competitors continuously. Through deepened integration of customer resource and sales resource, it continued to facilitate the construction of its unified data platform and customer sharing platform with unified e-commerce platform been put into operation, achieving the property, life and health process insurance coverage and realizing 250,000 people in terms of life and health insurance production flow on the website of E-PICC. It held the seventh Customer Festival activity focusing on the themes of "listening to your voice, satisfying your demand (傾聽您的心聲、服務您的需求)" and convened a series of customer experience activities including "paying attention to traffic safety, offering protection to you (關注行車安全、人保為您護航)" and "walks towards healthy and better life (邁向健康美好生活主題健走)", which allowed closer relationship with customers and improved its brand image.

Actively carrying out charity activities, making continuous returns to the society and public. The Group donated RMB8 million to Beijing Yuanmingyuan Park Ruins Protection Foundation (北京圓明園遺址保護基金會), which supported Yuanmingyuan in construction of domestic and overseas lost cultural relics and document database by ways of specialized protection fund. It donated the third batch of 33 "Healthy Mom" vehicles to Xinjiang, and in aggregate donated 88 vehicles in three years with a total amount of RMB13.4 million, whereby achieving the full coverage of the donated vehicles in 88 county-level health centers for women and children in Xinjiang. To implement the significant strategic idea of "governing border is necessary for governing China, stablising Tibet is the top priority for governing border (治國必治邊、治邊先穩藏)", it contributed a capital amount of RMB1.8 million to support the financial insurance knowledge training for Tibet party and political leaders, insurance industry which can strengthen grass-roots and benefit people, designated poverty alleviation work, and other charity activities. It kicked off the start of "2015 • The People's Insurance Charity Walk for Education Subsidy and Hope Classroom for Chinese Culture Study" mainly focusing on promoting Chinese culture and absorbing the essence of Chinese culture, and contributed a capital amount of RMB2 million to 100 primary schools in poor rural areas of the country for donation in Chinese culture classroom.

Further practicing the people-oriented philosophy, constantly pushing forward the construction of harmonious enterprises. By energetically promoting the corporate culture of "People-oriented and Strive Forward in Harmony", the Group attached great importance to inspire the hard-working and responsible spirit of its cadres and employees, and fully respected and recognized employees' values and contribution. It provided a healthy, safe working environment, fair development opportunities and good career prospect to staff, PICC P&C under the Group was named as "Top 10 Best Employers of China" again. It actively carried out the work to show care for its staff, perfected the care fund management system and the files of those employees who are in difficulties. Also, it constantly enlarged the assistance coverage and carried out the work to give warmth through multiple channels and multiple levels. During the year, it comforted 21,475 front-line employees and 3,840 employees with difficulties.

Insisting on the low-carbon and environmental philosophy, promoting sustainable development through service. Along with the innovation in green insurance service, the Group vigorously developed environmental pollution liability insurance and actively provided environmental risk assessment service to help enterprises improve their environmental risk management capabilities. It carried out green investment and introduced the green development philosophy into the utilisation of insurance fund, in order to provide capital support for low-carbon, environmental and energy-saving projects including clean energy and boost the development of the green industry through service. It participated in green charity activities and donated RMB1 million to APFNet funding, so as to support the charity projects relating to the development of forest rehabilitation and sustainable management activities. Whilst insisting on green operation, constantly carrying forward the paperless office and implementing green purchase, it advocated green journey and guided the staff to conserve every unit of electricity, every drop of water, every piece of paper and every drop of petrol, thereby feasibly reducing the consumption of various energy resources.

The Company will publish a social responsibility report separately for the year 2015 to describe in details the Group's fulfillment of social responsibility in accordance with the requirements of the CIRC and the Stock Exchange.

MAJOR CONNECTED TRANSACTIONS

During the reporting period, the Company did not conduct any connected transactions or continuing connected transactions which need to comply with the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A (Connected Transactions) of the Listing Rules.

MATERIAL CONTRACTS AND THEIR PERFORMANCES

During the reporting period, the Company did not engage in any custody, contracting and lease arrangement which required disclosure.

OTHER MATERIAL CONTRACTS

Unless otherwise disclosed in this annual report, during the reporting period, the Company had no other material contracts which required disclosure.

OTHER SIGNIFICANT EVENTS

(1) Establishment of a reinsurance company

On 16 April 2015, the Company and PICC P&C, a subsidiary of the Company entered into a promoters' agreement for the establishment of the reinsurance company, pursuant to which the Company shall contribute RMB510 million to subscribe for 51% shares in the Reinsurance Company, and PICC P&C shall contribute RMB490 million to subscribe for 49% shares in the Reinsurance Company. On 18 February 2016, the CIRC granted the approval on preparation and establishment of the reinsurance company.

(2) Acquisition of Shares in Industrial Bank

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, respectively acquired 280,738,112 shares and 327,639,977 shares of Industrial Bank in the open market using insurance funds. The considerations for these acquisitions were RMB4,641 million and RMB5,454 million respectively. After completion of these acquisitions, the Group holds a total of 2,679,029,689 shares in Industrial Bank, representing 14.06% of issued shares of Industrial Bank.

(3) Acquisition of Shares in Hua Xia Bank

On 28 December 2015, the Company's subsidiary, PICC P&C, entered into the Share Transfer Agreement with Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg (the Sellers), pursuant to which the Sellers agreed to transfer to PICC P&C amounting to a total of 2,136,045,885 shares of Hua Xia Bank respectively held by them, representing approximately 19.99% of the total issued shares of Hua Xia Bank. The maximum consideration of this share acquisition shall not exceed RMB25.7 billion and the minimum shall not be lower than RMB23.0 billion. This share acquisition is subject to approval by the CBRC and the CIRC (if required) and the board of directors of Hua Xia Bank.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company complied with relevant laws and regulations which had significant impact on businesses and operations of the Company in all material aspects.

Embedded Value

Our consolidated financial statements set forth in our annual report are prepared in accordance with IFRS. These financial statements measure our operation results for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under IFRS, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of one year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 31 December 2015, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 31 December 2015, on a range of assumptions. Copies of consulting actuaries' review reports are included in our annual report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of one year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

Independent Actuaries Review Opinion Report on the Embedded Value of PICC Life

PICC Life has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 31 December 2015. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

Scope of Work

Our scope of work covers:

- Review the methodology of the embedded value and one year's new business value as of 31 December 2015;
- Review the assumptions of the embedded value and one year's new business value as of 31 December 2015;
- Review the various embedded value results as of 31 December 2015, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2014 to 31 December 2015, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Review the embedded value results as of 31 December 2014 recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged; and
- Review the breakdown of value of one year's new business as of 31 December 2015 and 31 December 2014 by distribution channel.

Basis of Opinion, Reliances and Limitation

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Life.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Life, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Life in accordance with the terms of our engagement letter. We have agreed that PICC Life can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Opinion

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Life have been set with regard to current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions used by PICC Life have been set with regard to past experiences and the expectation of future experiences; and

- The embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

For Deloitte Consulting (Shanghai) Co. Ltd., Beijing Branch

Eric Lu
FIAA, FCAA

31 DECEMBER 2015 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value (“EV”):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;

- **Adjusted Net Worth (“ANW”):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business (“VIF”):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC’s actuarial requirement instead of the accounting report basis;

- **Cost of Capital (“CoC”):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company’s internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of One Year’s New Business (“V1NB”):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified one year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of One Year’s New Business; and

- **Expense Overrun:** the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

PICC Life Insurance Company Limited (“PICC Life”) has determined the Embedded Value and Value of One Year’s New Business based on the “Guidance on Life and Health Insurance Embedded Value Report Preparation” (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Life has used the traditional embedded value approach. Both Value of In-Force Business and Value of One Year’s New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of One Year’s New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section we have shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on discount rate of 10%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Life as of 31 December 2015 and 31 December 2014 (Unit: RMB Million)

	31 December 2015	31 December 2014
Value of In-Force Business before CoC	17,783	16,044
Cost of Capital	(1,252)	(736)
Value of In-Force Business after CoC	16,531	15,308
Adjusted Net Worth	36,497	30,560
Embedded Value	53,028	45,868

Note: 1. Figures may not add up due to rounding.

2. The embedded value as of 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

Table 2.1.2 Value of One Year's New Business of PICC Life for the 12 months up to 31 December 2015 and 31 December 2014 (Unit: RMB Million)

	31 December 2015	31 December 2014
Value of One Year's New Business before CoC	4,054	3,485
Cost of Capital	(592)	(387)
Value of One Year's New Business after CoC	3,462	3,098

Note: 1. Figures may not add up due to rounding.

2. The value of one year's new business up to 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

2. RESULTS SUMMARY *(continued)*

2.2 Results by Distribution Channels

PICC Life split the Value of One Year's New Business by distribution channel. The results of the Value of One Year's New Business by distribution channel as of 31 December 2015 and 31 December 2014 are summarized in the table below.

Table 2.2.1 Value of One Year's New Business of PICC Life for the 12 months up to 31 December 2015 and 31 December 2014 by Distribution Channel (Unit: RMB Million)

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
31 December 2015	**707**	**2,302**	**432**	**22**	**3,462**
31 December 2014	1,232	1,371	446	48	3,098

Note: 1. Figures may not add up due to rounding.

2. The value of one year's new business up to 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

When calculating the Value of In-Force Business and Value of One Year's New Business, the expense assumptions used by PICC Life represent the expected long-term expense level in the future. As the operating history of PICC Life is not long, the business scale has not reached the expected level. Hence the expenses to be incurred in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the Embedded Value and Value of One Year's New Business as of 31 December 2015.

3.1 Risk Discount Rate

A 10% risk discount rate has been used to calculate the Embedded Value and Value of One Year's New Business.

3.2 Rate of Investment Return

A 5.5% p.a. investment return assumption has been used.

3. ASSUMPTIONS *(continued)*

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Life. The impact on the Value of In-Force Business and Value of One Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity tests.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and the reinsurance rates obtained by PICC Life.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 28% to 57% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8 Tax

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the Embedded Value and Value of One Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Life as of 31 December 2015 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	17,783	16,531
Risk Discount Rate at 9%	19,111	17,943
Risk Discount Rate at 11%	16,646	15,327
Rate of investment return plus 50 bps	21,371	20,288
Rate of investment return less 50 bps	14,225	12,803
Expenses increased by 10%	17,565	16,312
Expenses reduced by 10%	18,002	16,749
Lapse rates increased by 10%	16,990	15,896
Lapse rates reduced by 10%	18,565	17,155
Mortality increased by 10%	17,620	16,371
Mortality reduced by 10%	17,947	16,692
Morbidity increased by 10%	17,705	16,454
Morbidity reduced by 10%	17,861	16,608
Short-term business claim ratio increased by 10%	17,728	16,476
Short-term business claim ratio reduced by 10%	17,838	16,586
Participating Ratio (80/20)	17,057	15,805
150% of Minimum Solvency Requirement	17,783	15,383
Taxable Income Based on China Accounting Standards	16,971	15,718

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

4. SENSITIVITY TESTS *(continued)*

Table 4.2 Value of One Year's New Business for the 12 months up to 31 December 2015 of PICC Life under Alternative Assumptions (Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	4,054	3,462
Risk Discount Rate at 9%	4,565	4,031
Risk Discount Rate at 11%	3,620	2,979
Rate of investment return plus 50 bps	5,607	5,081
Rate of investment return less 50 bps	2,509	1,852
Expenses increased by 10%	3,626	3,034
Expenses reduced by 10%	4,481	3,890
Lapse rates increased by 10%	3,622	3,115
Lapse rates reduced by 10%	4,475	3,800
Mortality increased by 10%	3,994	3,404
Mortality reduced by 10%	4,114	3,521
Morbidity increased by 10%	4,010	3,419
Morbidity reduced by 10%	4,097	3,505
Short-term business claim ratio increased by 10%	3,939	3,347
Short-term business claim ratio reduced by 10%	4,169	3,577
Participating Ratio (80/20)	3,951	3,359
150% of Minimum Solvency Requirement	4,054	3,018
Taxable Income Based on China Accounting Standards	3,391	2,799

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of Embedded Value movement from 31 December 2014 to 31 December 2015.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2014 to 31 December 2015 (Unit: RMB Million)

No	Description	Amount
1	Embedded Value as at 31 December 2014	47,414
2	New Business Contribution	3,930
3	Expected Return	2,174
4	Investment Variance	3,355
5	Other Experience Variances	(1,713)
6	Assumption Changes	(2,195)
7	Capital Change and Market Value Adjustment	63
8	Embedded Value as at 31 December 2015	53,028

Note: Figures may not add up due to rounding.

Explanations on items 1 to 7 above:

1. From the 2014 annual report;

2. The contribution of new business sold in 2015 to the embedded value as at 31 December 2015;

3. The expected return in 2015 arising from the in-force business and adjusted net worth at 2014 year end;

4. Change in Embedded Value arising from variances in 2015 between the actual investment and the related investment assumption;

5. Change in Embedded Value arising from other variances in 2015 between the actual experience and assumption other than relating to investment;

6. The impact on Embedded Value due to the changes in assumptions during 2015;

7. The impact on Embedded Value due to dividends to shareholders, capital changes and the changes in market value of held-to-maturity financial assets due to the change in market interest rates during 2015.

Independent Actuaries Review Opinion Report on the Embedded Value of PICC Health

PICC Health has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 31 December 2015. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

Scope of Work

Our scope of work covers:

- Review the methodology of the embedded value and one year's new business value as of 31 December 2015;
- Review the assumptions of the embedded value and one year's new business value as of 31 December 2015;
- Review the various embedded value results as of 31 December 2015, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2014 to 31 December 2015, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Review the embedded value results as of 31 December 2014 recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged; and
- Review the breakdown of value of one year's new business as of 31 December 2015 and 31 December 2014 by distribution channel.

Basis of Opinion, Reliances and Limitation

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Health.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Health, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Health in accordance with the terms of our engagement letter. We have agreed that PICC Health can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Opinion

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Health have been set with regard to current investment market conditions and the investment strategy of PICC Health;

- The operating assumptions used by PICC Health have been set with regard to past experiences and the expectation of future experiences; and

- The embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

For Deloitte Consulting (Shanghai) Co. Ltd., Beijing Branch

Eric Lu
FIAA, FCAA

31 DECEMBER 2015 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;
- **Adjusted Net Worth ("ANW"):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;
- **Value of In-Force Business ("VIF"):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;
- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC's actuarial requirement instead of the accounting report basis;
- **Cost of Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;
- **Value of One Year's New Business ("V1NB"):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified one year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of One Year's New Business; and
- **Expense Overrun:** the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

PICC Health Insurance Company Limited ("PICC Health") has determined the Embedded Value and Value of One Year's New Business based on the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Health has used the traditional embedded value approach. Both Value of In-Force Business and Value of One Year's New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of One Year's New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section we have shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on discount rate of 10%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Health as of 31 December 2015 and 31 December 2014 (Unit: RMB Million)

	31 December 2015	31 December 2014
Value of In-Force Business before CoC	1,376	1,227
Cost of Capital	(220)	(167)
Value of In-Force Business after CoC	1,156	1,060
Adjusted Net Worth	3,316	3,254
Embedded Value	4,473	4,313

Note: 1. Figures may not add up due to rounding.

2. The embedded value as of 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

Table 2.1.2 Value of One Year's New Business of PICC Health for the 12 months up to 31 December 2015 and 31 December 2014 (Unit: RMB Million)

	31 December 2015	31 December 2014
Value of One Year's New Business before CoC	341	288
Cost of Capital	(57)	(48)
Value of One Year's New Business after CoC	283	240

Note: 1. Figures may not add up due to rounding.

2. The value of one year's new business up to 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

2. RESULTS SUMMARY *(continued)*

2.2 Results by Distribution Channels

PICC Health split the Value of One Year's New Business by distribution channel. The results of the Value of One Year's New Business by distribution channel as of 31 December 2014 and 31 December 2015 are summarized in the table below.

Table 2.2 Value of One Year's New Business of PICC Health for the 12 months up to 31 December 2015 and 31 December 2014 by Distribution Channel (Unit: RMB Million)

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
31 December 2015	**59**	**172**	**52**	**–**	**283**
31 December 2014	69	43	129	–	240

Note: 1. Figures may not add up due to rounding.

2. The value of one year's new business up to 31 December 2014 is recalculated based on the investment assumptions as of 31 December 2015 while the other assumptions remain unchanged.

When calculating the Value of In-Force Business and Value of One Year's New Business, the expense assumptions used by PICC Health represent the expected long-term expense level in the future. As the operating history of PICC Health is not long, the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the Embedded Value and Value of One Year's New Business as of 31 December 2015.

3.1 Risk Discount Rate

A 10% risk discount rates has been used to calculate the Embedded Value and Value of One Year's New Business.

3.2 Rate of Investment Return

A 5.5% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Health. The impact on the Value of In-Force Business and Value of One Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity tests.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 7% to 95% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8 Tax

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the Embedded Value and Value of One Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Health as of 31 December 2015 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	1,376	1,156
Risk Discount Rate at 9%	1,472	1,277
Risk Discount Rate at 11%	1,292	1,051
Rate of investment return plus 50 bps	1,679	1,480
Rate of investment return less 50 bps	1,087	846
Expenses increased by 10%	1,310	1,090
Expenses reduced by 10%	1,455	1,235
Lapse rates increased by 10%	1,338	1,133
Lapse rates reduced by 10%	1,432	1,195
Mortality increased by 10%	1,369	1,150
Mortality reduced by 10%	1,383	1,163
Morbidity increased by 10%	1,360	1,140
Morbidity reduced by 10%	1,393	1,172
Short-term business claim ratio increased by 10%	951	731
Short-term business claim ratio reduced by 10%	1,917	1,697
Participating Ratio (80/20)	1,359	1,139
150% of Minimum Solvency Requirement	1,376	1,008
Taxable Income Based on China Accounting Standards	1,369	1,149

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

4. SENSITIVITY TESTS *(continued)*

Table 4.2 Value of One Year's New Business for the 12 months up to 31 December 2015 of PICC Health under Alternative Assumptions (Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	341	283
Risk Discount Rate at 9%	366	316
Risk Discount Rate at 11%	318	255
Rate of investment return plus 50 bps	419	367
Rate of investment return less 50 bps	263	200
Expenses increased by 10%	295	237
Expenses reduced by 10%	387	330
Lapse rates increased by 10%	313	261
Lapse rates reduced by 10%	393	327
Mortality increased by 10%	340	283
Mortality reduced by 10%	342	284
Morbidity increased by 10%	338	281
Morbidity reduced by 10%	344	286
Short-term business claim ratio increased by 10%	107	49
Short-term business claim ratio reduced by 10%	575	518
Participating Ratio (80/20)	339	281
150% of Minimum Solvency Requirement	341	242
Taxable Income Based on China Accounting Standards	336	279

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of Embedded Value movement from 31 December 2014 to 31 December 2015.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2014 to 31 December 2015 (Unit: RMB Million)

No	Description	Amount
1	Embedded Value as at 31 December 2014	4,463
2	New Business Contribution	319
3	Expected Return	295
4	Investment Variance	1,073
5	Other Experience Variances	(1,410)
6	Assumption Changes	(262)
7	Capital Change and Market Value Adjustment	(6)
8	Embedded Value as at 31 December 2015	4,473

Note: Figures may not add up due to rounding.

Explanations on items 1 to 7 above:

1. From the 2014 annual report;

2. The contribution of new business sold in 2015 to the embedded value as at 31 December 2015;

3. The expected return in 2015 arising from the in-force business and adjusted net worth at 2014 year end;

4. Change in Embedded Value arising from variances in 2015 between the actual investment and the related investment assumption;

5. Change in Embedded Value arising from other variances in 2015 between the actual experience and assumption other than relating to investment;

6. The impact on Embedded Value due to the changes in assumptions during 2015;

7. The impact on Embedded Value due to capital changes and the changes in market value of held-to-maturity financial assets due to the change in market interest rates during 2015.

TO THE SHAREHOLDERS OF THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 100 to 227, which comprise the consolidated statements of financial position as at 31 December 2015 and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positon of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2016

Consolidated Income Statement

For the year ended 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2015	2014
Gross written premiums	5	**388,387**	349,169
Less: Premiums ceded to reinsurers	5	**(31,255)**	(32,788)
Net written premiums	5	**357,132**	316,381
Change in unearned premium reserves	5	**(7,821)**	(10,767)
Net earned premiums		**349,311**	305,614
Reinsurance commission income		**9,678**	10,109
Investment income	6	**44,336**	33,426
Other income	7	**2,686**	2,347
TOTAL INCOME		**406,011**	351,496
Life insurance death and other benefits paid		**93,319**	95,428
Claims incurred		**180,684**	162,107
Changes in long-term life insurance contract liabilities		**9,138**	(2,174)
Policyholder dividends		**4,149**	4,352
Claims and policyholder's benefits:	8	**287,290**	259,713
Less: claims and policyholders' benefits ceded to reinsurers	8	**(21,147)**	(20,953)
Net claims and policyholders' benefits	8	**266,143**	238,760
Handling charges and commissions		**35,963**	26,464
Finance costs	9	**4,603**	5,053
Exchange gains		**(632)**	(34)
Other operating and administrative expenses	10	**72,455**	63,678
TOTAL BENEFITS, CLAIMS AND EXPENSES		**378,532**	333,921
Share of profits and losses of associates and joint ventures		**6,491**	5,845
PROFIT BEFORE TAX	11	**33,970**	23,420
Income tax expense	14	**(6,305)**	(4,705)
PROFIT FOR THE YEAR		**27,665**	18,715
Attributable to:			
Equity holders of the parent		**19,542**	13,109
Non-controlling interests		**8,123**	5,606
		27,665	18,715
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in RMB)			
– Basic	15	**0.46**	0.31

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2015	2014
PROFIT FOR THE YEAR		**27,665**	18,715
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**19,345**	13,972
– Reclassification of gains to profit or loss on disposals	6(b)	**(11,949)**	(2,714)
– Impairment losses	6(d)	**165**	1,655
Income tax effect			
– Fair value gains		**(4,700)**	(1,967)
– Reclassification of gains to profit or loss on disposals		**2,986**	389
– Impairment losses		**(38)**	(181)
		5,809	11,154
Net (losses)/gains on cash flow hedges		**(13)**	15
Income tax effect	31	**3**	(4)
		(10)	11
Exchange differences on translating foreign operations		**62**	12
NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**5,861**	11,177
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	27	**428**	442
Income tax effect	31	**(107)**	(110)
		321	332
Actuarial losses on pension benefit obligation	39	**(272)**	(384)
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**49**	(52)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**5,910**	11,125
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33,575**	29,840
Attributable to:			
– Equity holders of the parent		**23,867**	21,434
– Non-controlling interests		**9,708**	8,406
		33,575	29,840

Consolidated Statement of Financial Position

At 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	17	**49,884**	39,307
Derivative financial assets	18	**8**	23
Debt securities	19	**232,147**	235,905
Equity securities, mutual funds and trust schemes	20	**125,275**	92,637
Insurance receivables, net	21	**21,558**	18,475
Reinsurance assets	22, 37	**26,542**	25,857
Term deposits	23	**148,097**	164,408
Restricted statutory deposits		**9,914**	9,346
Investments classified as loans and receivables	24	**110,485**	98,130
Investments in associates and joint ventures	26	**53,308**	36,128
Investment properties	27	**10,358**	10,682
Property and equipment	28	**23,095**	21,590
Intangible assets	29	**1,005**	808
Prepaid land premiums	30	**3,941**	3,902
Deferred tax assets	31	**2,251**	1,086
Other assets	32	**25,600**	23,937
TOTAL ASSETS		**843,468**	782,221
LIABILITIES			
Securities sold under agreements to repurchase	34	**28,231**	35,488
Derivative financial liabilities	18	**–**	2
Income tax payable		**3,117**	979
Due to banks and other financial institutions	35	**980**	687
Subordinated debts	36	**39,210**	47,914
Insurance contract liabilities	37	**507,686**	478,640
Investment contract liabilities for policyholders	38	**27,601**	25,520
Policyholder dividends payable		**8,114**	7,966
Pension benefit obligation	39	**2,990**	2,862
Deferred tax liabilities	31	**1,455**	915
Other liabilities	40	**66,889**	55,671
TOTAL LIABILITIES		**686,273**	656,644
EQUITY			
Issued capital	41	**42,424**	42,424
Reserves	42	**73,677**	50,157
Equity attributable to equity holders of the parent		**116,101**	92,581
Non-controlling interests		**41,094**	32,996
TOTAL EQUITY		**157,195**	125,577
TOTAL EQUITY AND LIABILITIES		**843,468**	782,221

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent														
	Share capital *(note 41)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve *(note 42(a))*	Agriculture catastrophic loss reserve *(note 42(b))*	Asset revaluation	Cash flow hedge	Foreign currency translation reserve	Surplus reserve fund* *(note 42(c))*	Other reserves *(note 42(d))*	Actuarial losses on pension benefit obligation *(note 39)*	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2015	42,424	19,925	2,142	4,011	497	1,966	5	(96)	802	(15,065)	–	35,970	92,581	32,996	125,577
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	19,542	19,542	8,123	27,665
Other comprehensive income/(expense)	–	–	4,292	–	–	266	(8)	47	–	–	(693)	421	4,325	1,585	5,910
Total comprehensive income	–	–	4,292	–	–	266	(8)	47	–	–	(693)	19,963	23,867	9,708	33,575
Appropriations to general risk reserve and surplus reserve fund	–	–	–	1,759	–	–	–	–	299	–	–	(2,058)	–	–	–
Appropriations to agriculture catastrophic loss reserve	–	–	–	–	803	–	–	–	–	–	–	(803)	–	–	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–	–	–	(402)	(402)	(1,345)	(1,747)
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	55	–	–	55	(265)	(210)
Balance at 31 December 2015	42,424	19,925	6,434	5,770	1,300	2,232	(3)	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195

* This reserve contains both statutory and discretionary surplus reserves.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent													
	Share capital *(note 41)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve *(note 42(a))*	Agriculture catastrophic loss reserve *(note 42(b))*	Asset revaluation	Cash flow hedge	Foreign currency translation reserve	Surplus reserve fund* *(note 42(c))*	Other reserves *(note 42(d))*	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2014	42,424	19,925	(6,300)	2,845	–	1,716	(3)	(105)	579	(14,989)	25,483	71,575	23,226	94,801
Profit for the year	–	–	–	–	–	–	–	–	–	–	13,109	13,109	5,606	18,715
Other comprehensive income/(expense)	–	–	8,442	–	–	250	8	9	–	–	(384)	8,325	2,800	11,125
Total comprehensive income	–	–	8,442	–	–	250	8	9	–	–	12,725	21,434	8,406	29,840
Appropriations to general risk reserve and surplus reserve fund	–	–	–	1,166	–	–	–	–	223	–	(1,389)	–	–	–
Appropriations to agriculture catastrophic loss reserve	–	–	–	–	497	–	–	–	–	–	(497)	–	–	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–	–	(352)	(352)	(981)	(1,333)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	2,269	2,269
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	(76)	–	(76)	76	–
Balance at 31 December 2014	42,424	19,925	2,142	4,011	497	1,966	5	(96)	802	(15,065)	35,970	92,581	32,996	125,577

* This reserve contains both statutory and discretionary surplus reserves.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**33,970**	23,420
Adjustments for:			
Investment income	6	**(44,336)**	(33,426)
Exchange gains		**(632)**	(34)
Share of profits and losses of associates and joint ventures		**(6,491)**	(5,845)
Depreciation of property and equipment	11, 28	**2,131**	2,567
Amortisation of intangible assets	11, 29	**147**	115
Amortisation of prepaid land premiums	11, 30	**158**	131
Disposal gains from investment properties, property and equipment, intangible assets and prepaid land premiums	7	**(121)**	(71)
Finance costs except for interests credited to policyholders	9	**3,404**	3,715
Impairment losses	11	**703**	564
Investment expenses		**222**	161
Operating cash flows before working capital changes		**(10,845)**	(8,703)
Decrease/(increase) in insurance receivables, net		**(3,403)**	7,770
Increase/(decrease) in investment contract liabilities for policyholders		**2,081**	(16,120)
Increase in insurance contract liabilities, net		**28,361**	18,229
Decrease/(increase) in other assets, net		**(329)**	1,275
Increase in other liabilities and accruals, net		**11,224**	1,867
Cash generated from operations		**27,089**	4,318
Income tax paid		**(6,648)**	(4,717)
Net cash from/(used in) operating activities		**20,441**	(399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interests received		**27,811**	25,641
Dividends received		**6,195**	5,651
Decrease in policy loans		**1,258**	1,600
Capital expenditures		**(3,551)**	(3,864)
Proceeds from disposals of investment properties, property and equipment, intangible assets and prepaid land premiums		**389**	224
Investments in associates and joint ventures		**(11,539)**	(2,895)
Purchases of investments		**(278,465)**	(222,668)
Proceeds from disposals of investments		**252,495**	227,430
Payments for investment expenses		**(222)**	(161)
Decrease/(increase) in term deposits, net		**16,531**	(26,775)
Net cash from investing activities		**10,902**	4,183

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares by subsidiaries		–	2,269
Share issuance expenses		–	(24)
Decrease in securities sold under agreements to repurchase		(7,257)	(8,960)
Issue of subordinated debts		–	8,000
Proceeds from banks and other financial institutions		293	186
Repayment of subordinated debts		(8,500)	(6,900)
Interests paid		(3,704)	(3,643)
Dividends paid		(1,747)	(1,333)
Repayment of other debts		–	(687)
Net cash used in financing activities		(20,915)	(11,092)
Net increase/(decrease) in cash and cash equivalents		10,428	(7,308)
Cash and cash equivalents at beginning of the year		39,307	46,607
Effects of exchange rate changes on cash and cash equivalents		149	8
Cash and cash equivalents at end of the year		49,884	39,307
Analysis of balances of cash and cash equivalents			
Cash on hand	17	1	1
Demand deposits and deposits with banks with original maturity of less than three months	17	34,022	33,670
Securities purchased under resale agreements with original maturity of less than three months	17	15,861	5,636
Cash and cash equivalents at end of the year		49,884	39,307

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at No. 69, Dongheyan Street, Xuanwu District, Beijing 100052, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC ("MOF").

The Company is an investment holding company. During the year ended 31 December 2015, the Company's subsidiaries mainly provided integrated financial products and services and were engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB") and the disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO regarding preparation of accounts and directors' reports and audits and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 consolidated 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.

2.3 APPLICATIONS OF NEW AND REVISED IFRSs

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

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010-2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011-2013 Cycle*

None of the above amendments to IFRSs, however, have had a material impact on the financial position or performance of the Group for the year ended 31 December 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new or revised IFRSs that have been issued but are not yet effective, in these consolidated financial statements.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[3]
Amendments to IAS 1	*Disclosure Initiative*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*[3]
Amendments to IAS 7	*Disclosure Initiative*[5]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

Further information about those IFRSs that are expected to be relevant to the Group is as follows:

IFRS 9 – Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

IFRS 9 – Financial Instruments *(continued)*

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

IFRS 15 – Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 – Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of IFRS 16 may result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of certain lease arrangements. These assets and liabilities currently are not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. Apart from this, the directors of the Company do not anticipate that the application of IFRS 16 in the future will have a material impact on the Group’s consolidated financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

Amendments to IAS 1 – Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments also require separate disclosures for the following items in the other comprehensive income section of a statement of profit or loss and other comprehensive income:

- The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
- The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The adoption of amendment to IAS 1 may streamline disclosures of the financial statements. In addition, currently, the share of other comprehensive income of associates and joint ventures is combined with the Group's other comprehensive income by nature for presentation. It will be separately presented on adoption of this amendment. Apart from this, the directors of the Company do not anticipate that the application of these amendments in the future will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 7 – Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not define financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7.

The directors of the Company do not anticipate that the application of these amendments in the future will have a material impact on the Group's consolidated financial statements apart from the additional disclosures required by this amendment which will be made to the financial statements upon adoption of this amendment to IAS 7.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (including structured entities) controlled by the Company and 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

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 Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

Changes in the Group's shareholders' interests in existing subsidiaries (continued)

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 IFRSs. 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 IAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(2) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

When the Group increases its ownership interests in an associate or a joint venture and the investee continues to be accounted for as an associate or a joint venture, any excess of the cost of this additional investment over the Group's additional share of the net fair value of the identifiable assets and liabilities of the investee (measured as at the date of the additional investment) is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's additional share of the net fair value of identifiable assets and liabilities (measured as at the date of the additional investment) over the cost of the additional investment, after reassessment, is recognised immediately in profit or loss in the period in which the additional investment is acquired. There is no re-measurement of the carrying amount of the previously held ownership interests in the associate or the joint venture, nor of the fair value of the net identifiable assets and the resulting goodwill attributable to the previously held interests in the associate or the joint venture. Any gain or loss recognised in other comprehensive income previously shared by the Group remains in the equity and is not reclassified to the profit or loss. The Group commences accounting for its share of the profit or loss and other comprehensive income of the associate or the joint venture according to the new proportionate equity interests when the additional ownership is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(3) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and the amounts of cash restricted as to use and form an integral part of the Group's cash management.

(4) Foreign currency translation

The Group's presentation currency is the RMB, which is also the functional currency of the Company and its domestic subsidiaries.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are recorded using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded in their respective functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as available-for-sale financial assets (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive and accumulated in equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(4) Foreign currency translation *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain foreign operations are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of foreign operations are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of foreign operations which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchasing or selling the asset. Regular way purchases or sales are purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Measured at fair value

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

Measured at cost less impairment

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's financial assets that are classified as loans and receivables include cash equivalents, terms deposits, investments classified as loans and receivables and miscellaneous receivables. Insurance receivables and policy loans are also accounted for as if they were loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest is included in investment income in the income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(6) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

The impairment analysis and amounts recorded are based on the functional currency of the group entity holding the investment.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant’ or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost described below. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset’s original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the date of the impairment's reversal had the impairment not been recognised.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(7) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated as fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including securities sold under agreements to repurchase, amounts due to banks and other financial institutions, subordinated debts, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement. Policyholders' dividends and amounts due to reinsurers are accounted for as if they were other financial liabilities.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(8) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group has previously regarded certain credit insurance contracts it issued with a financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(9) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting and are classified as cash flow hedges are accounted for as described below.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedging reserve, while any ineffective portion is recognised immediately in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(9) Derivative financial instruments and hedge accounting *(continued)*

Initial recognition and subsequent measurement (continued)

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

(11) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IAS 17 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(11) Investment properties *(continued)*

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve.

(12) Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.50% to 19.40%
Office equipment, furniture and fixtures	7.50% to 32.33%
Motor vehicles	6.00% to 24.25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(13) Construction in progress

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(14) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The useful lives of software are from 3 to 10 years.

(15) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises or treated as a revaluation decrease, as appropriate.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises or treated as a revaluation increase, as appropriate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(17) Product classification and unbundling

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Details of significant insurance risk testing are set out below. Insurance contracts may also transfer financial risk to the Group.

Investment contracts are those contracts that transfer significant financial risk but no or insignificant insurance risk. Financial risk is the risk of a possible future change in one or more specified interest rates, a financial instrument price, a commodity price, a foreign exchange rate, an index of price or rates, a credit rating or a credit index or other variables, provided in the case of a non-financial variable, the variable is not specific to a party to the contract.

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as an investment contract.

The Group test the significance of insurance risk transfer at initial recognition of all relevant contracts. Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

(18) Insurance contract liabilities

The insurance contract liabilities of the Group include long-term life and health insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. Non-life and short-term health insurance policies are grouped into certain measurement units by lines of business. For long-term life and health insurance policies, the measurement unit is each individual insurance contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Unearned premium reserves

Unearned premium reserves are recognised at inception of non-life and short-term health insurance contracts until the insurance coverage expires. The unearned premium reserves represent premiums received for risks that have not yet expired. At inception of the contract, it represents premiums received or receivable minus relevant acquisition costs. Acquisition costs in relation to the sale of new insurance contracts such as handling charges and commissions, underwriting personal expenses, business tax and surcharges, insurance protection expenses and other incremental costs are recorded as expenses in profit or loss against an equal and opposite amount of premium being recognised as revenue. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 or 1/24 basis according to the insurance coverage period. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

Insurance contract liabilities other than unearned premium reserves

Other than unearned premium reserve, insurance contract liabilities are measured based on reasonable estimates of the payments the Group will make to fulfil the relevant obligations under the insurance contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

Expected future net cash outflows over the entire coverage and settlement period are taken into account in measuring insurance contract liabilities. For insurance policies with a guaranteed renewal option, the coverage period is extended to the date when the option to renew ceases to be guaranteed because the Group acquires the right to re-price the risk under the contract.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (a) Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  (b) Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;

  (c) Reasonable expenses necessary for policy acquisitions, administration and claims handling, including policy maintenance expenses and claim handling expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Both risk margin and residual margin are separately recognised for long-term life and health insurance contracts. Risk margins are recognised for claim reserves.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves (continued)

- Risk margin represents provision for the uncertainty associated with the future net cash flows. Risk margin is determined using the cost of capital approach or the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. Diversification effect is not considered in arriving at risk margins.

- At inception of an insurance contract, any "day-one" gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the income statement. Residual margins are not re-measured at the end of each reporting date. They are amortised on the basis of the effective sums insured or number of policies over the entire coverage period.

Reasonable estimates in expected future net cash flows are determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is material. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available at the end of the year.

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserve. If, after applying a risk margin, the expected present value of cash outflows exceeds the expected present value of cash inflows, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned premium reserve may have to be adjusted if there is any deficiency arising from the performance of these tests.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged or cancelled, or expire.

(19) Provisions

Except contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(19) Provisions *(continued)*

- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the time value of money. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(20) Employee benefits

Retirement benefits cost and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement arising from actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss.

The remeasurements arising from actuarial gains and losses recognised in other comprehensive income are accumulated in the Group’s reserve headed ‘actuarial (losses)/gains on pension benefit obligation’ and is transferred to retained profits when the defined benefit plans terminates. Past service cost is recognised in profit or loss in the period of a plan amendment. Interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Defined benefit costs are categorised as follows:

- Service costs (including past service costs, gains and losses on curtailment and settlements);
- Interest expenses; and
- Remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in “Other Operating and Administrative Expenses” and “Finance Costs”. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group’s defined benefit plan.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(20) Employee benefits *(continued)*

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

(21) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of insurance contracts. The dividends are calculated and provided based on the dividend distribution determination and the results of actuarial valuation.

When policyholders' dividends are declared, they are accounted for as financial liabilities and initially measured at fair value and subsequently measured at amortised costs.

(22) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(22) Leasing *(continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid land premiums in the consolidated statement of financial position and amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

(23) Revenue recognition

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

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue according to the total premiums stated in the contracts.

Fee income

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

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(24) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of loss and loss adjustment expense reserves also includes their share of risk margin to the gross balance of loss and loss adjustment expense reserves.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(25) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other direct costs that an entity incurs in connection with the borrowing of funds.

(26) Government grants

Government grants are recognised in profit or loss where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the government grant is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

(27) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(27) Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies: *(continued)*

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(28) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the year end, taking into consideration the interpretations and practices prevailing in the countries in which the Company and its subsidiaries operates.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(28) Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities, other than described below.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

(1) Classification and measurement of financial assets

Management needs to make judgements on the classifications of financial assets as different classifications will affect the accounting treatment for the financial assets, and the financial position and operating results of the Group. The judgements on these classifications depend on the nature and purposes of acquiring these financial assets at their initial recognitions. Subsequent reclassifications may be made if the intention of holding a particular financial asset changed and that reclassification is permitted by IFRS.

The management of the Group judges whether fair value can be measured reliably for available-for-sale equity financial assets without prices in an active market, and measures them at cost if they cannot be measured reliably.

(2) Unbundling, classification and significant risk testing of contracts

The Group has made significant judgement on whether a contract bears insurance risk and other risks, and whether the risks are distinct and can be measured separately. The results of the judgement affect the unbundling of the contract.

The Group made judgement on whether a contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement affect the classification of the contract.

When performing significant insurance risk testing, contracts exhibiting homogenous risks for a particular product are grouped together. Subsequently, adequate representative samples are drawn from individual groups, taking into account their risk distributions and characteristics. All contracts in a particular group will be recognised as insurance contracts if more than 50% of the samples have transferred significant insurance risk.

The unbundling and classification of contracts affect revenue recognition, measurement of liabilities and presentation of the consolidated financial statements of the Group.

(3) Significant influence when less than 20 per cent of voting power is held

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

(3) Significant influence when less than 20 per cent of voting power is held (continued)

- provision of essential technical information.

An investee as accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 26 to these consolidated financial statements.

(4) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers.

(5) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios in the PRC and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Group has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(1) Impairment of loans and receivables

When there is objective evidence that there is impairment in loans and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of loans and receivables. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(1) Impairment of loans and receivables (continued)

Other than impairment for individual receivables, the Group also collectively assesses impairment for receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Loans and receivables include cash equivalents, insurance receivables, term deposits, restricted statutory deposits, investments classified as loans and receivables and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

(2) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract reserve, the Group needs to make reasonable estimates in payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

The main assumptions made in measuring these liabilities are as follows:

- For insurance contracts under which future insurance benefits are not affected by investment income of the underlying asset portfolio, the discount rates are determined based on the 750-day moving average of the yield curve of China's treasury bonds published by China Government Securities Depository Trust & Clearing Co., Ltd., with consideration of the tax effect and liquidity premiums. The Group set the premiums to be 30-111 basis points as at 31 December 2015 (31 December 2014: 50-112 basis points). Accordingly, the discount rates including premiums, as at 31 December 2015, were 3.37%-6.06% (31 December 2014: 3.67%-6.38%).

  For insurance contracts which future insurance benefits will be affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group as at 31 December 2015 were 5.00%-5.50% (31 December 2014: 5.00%-5.50%).

  The discount rate and investment return assumptions are affected by the future economic environment, capital market performance, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

  The discount rates are the assumptions which have the most significant impacts on the measurement on the long-term life insurance contract liabilities. The changes of these assumptions during the year increased long-term life insurance contract liabilities by RMB696 million.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(2) Valuation of insurance contract liabilities (continued)

- Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, and presented using the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

- Future policyholder dividends depends on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. Future policyholder dividends for individual participating insurance business of the Group are measured assuming that the Group will award to policyholders 70% of the distributable surplus calculated according to these contracts.

- The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

Type	**2015**	2014
Agricultural insurance	**33.8%**	33.8%
Motor vehicle insurance	**3.0%**	3.0%
Other non-life insurance	**6.0%**	6.0%
Short-term health insurance	**3.0%**	3.0%

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(2) Valuation of insurance contract liabilities (continued)

- The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) of claim reserves as follows:

Type	2015	2014
Agricultural insurance	33.3%	33.3%
Motor vehicle insurance	2.5%	2.5%
Other non-life insurance	5.5%	5.5%
Short-term health insurance	2.5%	2.5%

The major assumptions needed in measuring claim reserves include the claim development factors and expected claim ratios, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and the expected loss ratios for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in company policies such as the underwriting policy, premium rates and claims handling processes, and changing trends in external environment such as economic conditions, regulations and legislation.

Management is of the opinion that as at the end of the reporting period, claim reserve is sufficient to cover all incurred events to date but cannot guarantee there is no underprovision or overprovision of the reserve, which is an estimate of the ultimate losses.

The carrying values of insurance contract liabilities are disclosed in note 37.

(3) Retirement benefit liabilities

The Group measured certain employee retirement benefits using projected unit credit method, when these benefit plans met the definition of defined benefit plans as set out in IAS 19. Carrying value of these liabilities and the principal assumptions used in measuring these liabilities are set out in note 39 to these 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 management for deciding how to allocate resources and for assessing performance.

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

- The non-life insurance segment offers a wide variety of insurance products to both personal and corporate customers including automobile insurance, agricultural, property and liabilities insurance;
- The life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products;
- The health insurance segment offers a wide range of health and medical insurance products;
- The asset management segment comprises asset management services;
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal and human resources functions;
- The "others" segment comprises other operating and insurance agent businesses of the Group.

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

As the revenue, net profit, assets and liabilities of operations outside Mainland China constitutes less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

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

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2015

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	245,110	89,850	14,351	–	–	–	–	349,311
Net reinsurance commission income/(expense)	9,710	87	(119)	–	–	–	–	9,678
Investment income	20,302	21,046	2,070	640	3,731	(45)	(3,408)	44,336
Other income	1,465	327	101	1,139	18	347	(711)	2,686
TOTAL INCOME – SEGMENT REVENUE	276,587	111,310	16,403	1,779	3,749	302	(4,119)	406,011
– External income	276,480	111,207	16,397	1,391	388	148	–	406,011
– Intersegment income	107	103	6	388	3,361	154	(4,119)	–
Net claims and policyholders' benefits	153,819	97,996	14,328	–	–	–	–	266,143
Handling charges and commissions	31,541	4,307	448	–	–	–	(333)	35,963
Finance costs	1,638	1,612	407	8	907	31	–	4,603
Exchange gains	(331)	(183)	(6)	(1)	(111)	–	–	(632)
Other operating and administrative expenses	62,838	6,819	1,431	895	676	430	(634)	72,455
TOTAL BENEFITS, CLAIMS AND EXPENSES	249,505	110,551	16,608	902	1,472	461	(967)	378,532
Share of profits and losses of associates and joint ventures	3,141	2,701	–	(12)	968	–	(307)	6,491
PROFIT/(LOSS) BEFORE TAX	30,223	3,460	(205)	865	3,245	(159)	(3,459)	33,970
Income tax (expense)/credit	(6,340)	96	69	(230)	91	13	(4)	(6,305)
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	23,883	3,556	(136)	635	3,336	(146)	(3,463)	27,665

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2014

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	211,797	79,822	13,995	–	–	–	–	305,614
Net reinsurance commission income	9,988	30	91	–	–	–	–	10,109
Investment income	13,079	18,017	1,533	480	2,826	129	(2,638)	33,426
Other income	1,323	277	90	921	14	401	(679)	2,347
TOTAL INCOME – SEGMENT REVENUE	236,187	98,146	15,709	1,401	2,840	530	(3,317)	351,496
– External income	236,118	98,060	15,704	946	458	210	–	351,496
– Intersegment income	69	86	5	455	2,382	320	(3,317)	–
Net claims and policyholders' benefits	136,322	88,663	13,775	–	–	–	–	238,760
Handling charges and commissions	23,388	3,029	321	7	–	–	(281)	26,464
Finance costs	1,631	1,810	575	14	994	29	–	5,053
Exchange gains	(4)	(16)	–	–	(14)	–	–	(34)
Other operating and administrative expenses	56,139	4,612	1,426	818	673	452	(442)	63,678
TOTAL BENEFITS, CLAIMS AND EXPENSES	217,476	98,098	16,097	839	1,653	481	(723)	333,921
Share of profits and losses of associates and joint ventures	2,598	2,287	–	10	1,126	–	(176)	5,845
PROFIT/(LOSS) BEFORE TAX	21,309	2,335	(388)	572	2,313	49	(2,770)	23,420
Income tax (expense)/credit	(4,335)	(464)	2	(181)	255	(30)	48	(4,705)
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	16,974	1,871	(386)	391	2,568	19	(2,722)	18,715

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2015 and 2014, and other segment information for the year ended 31 December 2015 and 2014

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
31 December 2015								
Segment assets	421,793	357,560	32,831	9,087	105,728	5,588	(89,119)	843,468
Segment liabilities	312,499	322,467	29,421	1,717	20,369	2,647	(2,847)	686,273
Other segment information:								
Capital expenditures	2,319	495	71	322	46	298	–	3,551
Depreciation and amortisation	1,945	191	38	28	58	122	54	2,436
Interest income	12,458	13,419	1,227	99	277	6	–	27,486
Impairment losses	727	17	1	63	129	–	(69)	868
31 December 2014								
Segment assets	365,846	354,044	33,605	8,216	103,438	5,654	(88,582)	782,221
Segment liabilities	280,372	323,756	30,267	1,891	20,765	1,879	(2,286)	656,644
Other segment information:								
Capital expenditures	2,116	1,178	40	121	42	367	–	3,864
Depreciation and amortisation	2,414	97	39	22	69	119	53	2,813
Interest income	10,854	14,167	1,375	174	447	8	–	27,025
Impairment losses	1,025	926	10	42	216	–	–	2,219

The headquarters, life and non-life segments hold equity interests of 0.91%, 6.45% and 6.70% (31 December 2014: 0.91%, 4.98% and 4.98%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in the financial statements of the Company and of other principal subsidiaries. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

(Amounts in millions of Renminbi, unless otherwise stated)

5. GROSS AND NET WRITTEN PREMIUMS

	2015	2014
(a) Gross written premiums		
Long-term life insurance premiums	**96,508**	86,965
Short-term health insurance premiums	**10,062**	9,038
Non-life insurance premiums	**281,817**	253,166
Total	**388,387**	349,169
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	**(465)**	(302)
Short-term health insurance premiums ceded to reinsurers	**(1,631)**	(1,713)
Non-life insurance premiums ceded to reinsurers	**(29,159)**	(30,773)
Total	**(31,255)**	(32,788)
Net written premiums	**357,132**	316,381
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	**(7,542)**	(9,122)
Less: Change in reinsurer's share of unearned premium reserves	**(279)**	(1,645)
Net	**(7,821)**	(10,767)

6. INVESTMENT INCOME

	2015	2014
Dividend, interest and rental income (a)	**32,410**	31,843
Realised gains (b)	**12,396**	2,852
Fair value (losses)/gains (c)	**(305)**	386
Impairment losses (d)	**(165)**	(1,655)
TOTAL	**44,336**	33,426

(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(a) Dividend, interest and rental income

	2015	2014
Operating lease income from investment properties	343	272
Interest income		
Current and term deposits	9,539	9,315
Debt securities		
– Held-to-maturity	6,081	6,085
– Available-for-sale	4,940	5,713
– Held-for-trading	72	104
Derivative financial assets	29	15
Loans and receivables	6,825	5,793
SUBTOTAL	27,486	27,025
Dividend income		
Equity securities and mutual funds		
– Available-for-sale	4,113	3,936
– Held-for-trading	468	610
SUBTOTAL	4,581	4,546
TOTAL	32,410	31,843

(b) Realised gains

	2015	2014
Debt securities		
– Available-for-sale	215	161
– Held-for-trading	40	39
Equity securities and mutual funds		
– Available-for-sale	11,734	2,553
– Held-for-trading	407	99
TOTAL	12,396	2,852

(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME *(continued)*

(c) Fair value (losses)/gains

	2015	2014
Debt securities		
– Held-for-trading	20	57
Equity securities and mutual funds		
– Held-for-trading	185	308
Investment properties *(note 27)*	(510)	21
TOTAL	(305)	386

(d) Impairment losses

	2015	2014
Debt securities		
– Available-for-sale	26	–
Equity securities and mutual funds		
– Available-for-sale	139	1,655
TOTAL	165	1,655

7. OTHER INCOME

	2015	2014
Commission income arising from the tax collection of motor vehicles and vessels	808	662
Management fee charged to policyholders	206	232
Disposal gains from investment properties, property and equipment, intangible assets and prepaid land premiums	121	71
Government grants *(note)*	138	137
Others	1,413	1,245
TOTAL	2,686	2,347

Government grants of the Group mainly include agricultural insurance subsidies and subsidies for its insurance business operated in Tibet.

(Amounts in millions of Renminbi, unless otherwise stated)

8. CLAIMS AND POLICYHOLDERS' BENEFITS

	2015 Gross	2015 Ceded	2015 Net
Life insurance death and other benefits paid	93,319	19	93,300
Claims incurred	180,684	21,104	159,580
– Short-term health insurance	7,734	1,975	5,759
– Non-life insurance	172,950	19,129	153,821
Changes in long-term life insurance contract liabilities	9,138	24	9,114
Policyholder dividends	4,149	–	4,149
TOTAL	287,290	21,147	266,143

	2014 Gross	2014 Ceded	2014 Net
Life insurance death and other benefits paid	95,428	6	95,422
Claims incurred	162,107	20,950	141,157
– Short-term health insurance	6,720	1,886	4,834
– Non-life insurance	155,387	19,064	136,323
Changes in long-term life insurance contract liabilities	(2,174)	(3)	(2,171)
Policyholder dividends	4,352	–	4,352
TOTAL	259,713	20,953	238,760

9. FINANCE COSTS

	2015	2014
Interest expenses		
Subordinated debts	2,131	2,313
Interest credited to policyholders *(note 38)*	1,199	1,338
Securities sold under agreements to repurchase	961	1,255
Pension benefit obligation unwound *(note 39)*	101	118
Due to banks and other financial institutions	52	39
Others	182	–
Less: amounts capitalised in qualifying assets	(23)	(10)
TOTAL	4,603	5,053

(Amounts in millions of Renminbi, unless otherwise stated)

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2015	2014
Employee costs	27,783	23,965
Business taxes and surcharges	14,853	12,791
Depreciation and amortisation	2,133	2,477
Insurance guarantee fund	2,371	2,232
Impairment losses *(note 11)*	703	564
Others	24,612	21,649
TOTAL	72,455	63,678

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following items:

	2015	2014
Employee costs (a) *(note)*	32,572	28,317
Depreciation of property and equipment *(note 28) (note)*	2,131	2,567
Impairment losses recognised on insurance receivables *(note 21(a))*	320	517
Impairment losses recognised on property and equipment *(note 28)*	–	26
Impairment losses recognised on other assets *(note 32(d))*	383	21
Minimum lease payments under operating leases in respect of land and buildings	904	819
Amortisation of intangible assets *(note 29) (note)*	147	115
Amortisation of prepaid land premium *(note 30) (note)*	158	131
Auditors' remuneration	28	26

(a) Employee costs:

	2015	2014
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	29,525	26,103
– Pension scheme contributions	3,047	2,214
TOTAL	32,572	28,317

Note: Certain employee costs, depreciation and amortisation are recorded as claim handling expenses and are not included in other operating and administrative expenses.

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Certain directors, supervisors and senior managements are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the year ended 31 December 2015 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's 2015 financial statements.

Directors', supervisors' and senior management's remuneration for the years 2015 and 2014, are disclosed as follows:

(a) Independent Non-executive Directors

The fees paid to Independent Non-executive Directors during 2015 and 2014 were as follows:

	2015 (in RMB'000)	2014 (in RMB'000)
Mr. Xiang Huaicheng (i)	–	–
Mr. Lau Hon Chuen	300	288
Mr. Du Jian (ii)	–	–
Mr. Xu Dingbo	300	300
Mr. Cai Weiguo (iii)	–	179
Mr. Lu Jianyu (iv)	104	–
Mr. Lin Yixiang (iv)	63	–
	767	767

There were no other emoluments payable to the Independent Non-executive Directors during the year (2014: Nil).

(i) Mr. Xiang Huaicheng resigned in September 2014. For the year ended 31 December 2014, Mr. Xiang Huaicheng did not receive any remuneration from the Company.

(ii) For the year ended 31 December 2015, Mr. Du Jian did not receive any remuneration from the Company.

(iii) Mr. Cai Weiguo retired in July 2015 and he has not received any remuneration from the Company since September 2014.

(iv) Mr. Lu Jianyu and Mr. Lin Yixiang were appointed as independent non-executive directors in July 2015 and September 2015, respectively.

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

(b) Chairman and Vice Chairman of the Board, Directors and Supervisors

	Year ended 31 December 2015			
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Total (in RMB'000)
Chairman of the Board:				
Mr. Wu Yan	–	448	101	549
Vice chairman:				
Mr. Wang Yincheng	–	448	101	549
Executive Directors:				
Ms. Zhuang Chaoying (i)	–	404	101	505
Mr. Zhou Liqun (ii)	–	–	–	–
Mr. Li Yuquan (iii)	–	73	18	91
Non-executive Directors:				
Mr. Yao Zhiqiang	–	–	–	–
Mr. Wang Qiao	–	–	–	–
Ms. Li Shiling (iv)	–	–	–	–
Ms. Zhang Hanlin (iv)	–	–	–	–
Mr. Ma Qiang (iv)	–	–	–	–
Ms. Hua Rixin (v)	–	–	–	–
Ms. Cheng Yuqin (v)	–	–	–	–
Mr. Li Fang (v)	–	–	–	–
Supervisors:				
Mr. Lin Fan	–	448	101	549
Mr. Yu Ning (vi)	300	–	–	300
Mr. Xu Yongxian	–	799	177	976
Ms. Li Yongmei (vi)	–	579	225	804
Ms. Yao Bo	–	686	225	911
	300	3,885	1,049	5,234

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

(b) Chairman and Vice Chairman of the Board, Directors and Supervisors *(continued)*

	Year ended 31 December 2014 (Restated)				
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Total (in RMB'000)
Chairman of the Board:					
Mr. Wu Yan	–	462	1,084	284	1,830
Vice chairman:					
Mr. Wang Yincheng	–	457	1,072	270	1,799
Executive Directors:					
Ms. Zhuang Chaoying (i)	–	375	880	207	1,462
Mr. Zhou Liqun (i)	–	375	880	213	1,468
Non-executive Directors:					
Mr. Yao Zhiqiang	–	–	–	–	–
Mr. Wang Qiao	–	–	–	–	–
Ms. Li Shiling (iv)	–	–	–	–	–
Ms. Zhang Hanlin (iv)	–	–	–	–	–
Mr. Ma Qiang (iv)	–	–	–	–	–
Mr. Cao Guangsheng (vii)	–	–	–	–	–
Mr. Liu Yeqiao (vii)	–	–	–	–	–
Mr. Qi Shaojun (vii)	–	–	–	–	–
Supervisors:					
Mr. Lin Fan	–	457	1,072	270	1,799
Mr. Yu Ning (vi)	250	–	–	–	250
Mr. Xu Yongxian	–	799	718	211	1,728
Ms. Li Yongmei (vi)	–	474	474	215	1,163
Ms. Yao Bo	–	666	600	272	1,538
	250	4,065	6,780	1,942	13,037

The compensation amounts for the Chairman, Vice chairman, directors and supervisors during their appointment were stated above. The total compensation for the year ended 31 December 2014 was restated by final circumstances in year 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

(b) Chairman and Vice Chairman of the Board, Directors and Supervisors *(continued)*

(i) Ms. Zhuang Chaoying and Mr. Zhou Liqun were appointed as executive directors in March 2014.

(ii) Mr. Zhou Liqun resigned in January 2015 and he did not receive any remuneration from the Company during year ended 31 December 2015.

(iii) Mr. Li Yuquan was appointed as executive director in October 2015.

(iv) Ms. Li Shiling, Ms. Zhang Hanlin and Mr. Ma Qiang resigned in October 2015.

(v) Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Li Fang were appointed as non-executive directors in October 2015.

(vi) Mr. Yu Ning and Ms. Li Yongmei were appointed as supervisors in March 2014.

(vii) Mr. Cao Guangsheng, Mr. Liu Yeqiao and Mr. Qi Shaojun retired in March 2014.

Executive directors' emoluments shown above were mainly for the services in connection with management of affairs of the Company and the Group. Non-executive directors did not receive any remuneration from the Company.

(c) Senior Management

The information set out below does not include remunerations of directors or supervisors, nor remunerations of Ms. Zhuang Chaoying, Mr. Zhou Liqun and Mr. Li Yuquan after they have been appointed as executive directors. The relevant information is disclosed in note 12(b).

	2015 (in RMB'000)	2014 (in RMB'000) (Restated)
Salaries and allowances	**5,115**	6,017
Performance related bonuses	**–**	8,365
Social insurance, housing fund and other benefits	**1,160**	1,996
	6,275	16,378

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

(c) Senior Management *(continued)*

The number of senior management, excluding directors and supervisors, whose remuneration fell within the following bands are as follows:

	2015	2014 (Restated)
RMB0 to RMB500,000	4	2
RMB500,001 to RMB1,000,000	1	–
RMB1,000,001 to RMB1,500,000	4	–
RMB1,500,001 to RMB2,000,000	–	4
RMB2,000,001 to RMB2,500,000	–	4
	9	10

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals do not include directors and supervisors during the years 2015 and 2014. Details of the five highest paid individuals are set out below:

	2015 (in RMB'000)	2014 (in RMB'000) (Restated)
Salaries, allowances	4,153	4,516
Performance related bonuses	–	4,852
Social insurance, housing fund and other benefits	1,032	1,183
TOTAL	5,185	10,551

The above five highest paid individuals whose remuneration fell within the following bands are as follows:

	2015	2014 (Restated)
HKD1,000,001 to HKD1,500,000	5	–
HKD2,000,001 to HKD2,500,000	–	1
HKD2,500,001 to HKD3,000,000	–	4
	5	5

(Amounts in millions of Renminbi, unless otherwise stated)

14. INCOME TAX EXPENSE

	2015	2014
Current income tax		
– Charge for the year	**8,771**	5,616
– Adjustments in respect of current tax of previous periods	**15**	23
Deferred income tax *(note 31)*	**(2,481)**	(934)
TOTAL	**6,305**	4,705

In accordance with the relevant PRC income tax rules and regulations, the Company and Company's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2014: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong"), a subsidiary incorporated in Hong Kong, was subject to a profits tax rate of 16.5% in 2015 (2014: 16.5%).

A reconciliation of the tax expense applicable to profit before tax using the CIT rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2015	2014
Profit before tax	**33,970**	23,420
Tax at the statutory tax rate	**8,492**	5,855
Adjustments in respect of current tax of previous periods	**15**	23
Tax effect of share of profits and losses of associates	**(1,623)**	(1,461)
Income not subject to tax	**(1,019)**	(930)
Expenses not deductible for tax	**208**	408
Unrecognised deductible temporary differences and tax losses	**233**	814
Effects of different tax rates applied to subsidiaries	**(1)**	(4)
Tax charge at the Group's effective tax rate	**6,305**	4,705
Effective tax rate	**18.6%**	20.1%

(Amounts in millions of Renminbi, unless otherwise stated)

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the years 2015 and 2014 is based on the profit attributable to equity holders of the parent and the number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to equity holders of the parent for the year	**19,542**	13,109
Number of ordinary shares (in million shares)	**42,424**	42,424
Basic earnings per share (in RMB)	**0.46**	0.31

No diluted earnings per share has been presented for the years 2015 and 2014 as the Group had no potential ordinary shares in issue during the periods.

16. DIVIDENDS

	2015	2014
Dividends recognised as distributions during the year:		
2014 Final, paid – RMB0.94671 cent per share		
(2014: 2013 Final, paid – RMB0.83 cent per share)	**402**	352

As at 27 March 2016, final dividend in respect of the year ended 31 December 2015 of RMB2.26005 cent per share (2014: RMB0.94671 cent per share in respect of the year ended 31 December 2014) has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

17. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash on hand	**1**	1
Money at call and short notice	**30,967**	33,175
Deposits with banks with original maturity of less than three months	**3,055**	495
Securities purchased under resale agreements with original maturity of less than three months	**15,861**	5,636
TOTAL	**49,884**	39,307

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals.

(Amounts in millions of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2015		
	Notional amount	**Derivative financial assets**	**Derivative financial liabilities**
Interest rate swaps			
– Hedging instruments	**1,050**	**8**	**–**
TOTAL	**1,050**	**8**	**–**

	31 December 2014		
	Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	5,600	23	(2)
TOTAL	5,600	23	(2)

Interest rate swaps are stated at their fair values.

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

(Amounts in millions of Renminbi, unless otherwise stated)

19. DEBT SECURITIES

	31 December 2015	31 December 2014
Classification of debt securities		
Held for trading, at fair value		
– Government bonds	259	253
– Corporate bonds	248	444
– Financial bonds	261	1,245
Available-for-sale, at fair value		
– Government bonds	6,844	7,883
– Corporate bonds	74,255	72,991
– Financial bonds	25,249	28,840
Held-to-maturity, at amortised cost		
– Government bonds	5,839	5,839
– Corporate bonds	37,124	34,996
– Financial bonds	82,068	83,414
Total debt securities	232,147	235,905

20. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	31 December 2015	31 December 2014
Investments, at fair value		
Mutual funds	77,755	50,227
Shares	22,867	14,922
Preference shares	9,041	4,075
Equity schemes	4,748	–
Subtotal	114,411	69,224
Investments, at cost less impairment		
Shares	503	3,113
Total equity securities and mutual funds	114,914	72,337
Trust schemes, at fair value	10,361	20,300

(Amounts in millions of Renminbi, unless otherwise stated)

20. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES *(continued)*

Equity schemes are structured entities which are created for investing in one or more equity investments. The underlying equity investments of these equity schemes are usually determined at inception of these schemes and any changes to, or additional investments in, the underlying equity investments of any particular scheme requires support from two-thirds of the beneficiary interests in that scheme. Some of these schemes are launched and managed by the Group.

The Group did not guarantee or provide any financial support for these Equity Schemes, and considers that the carrying amount of these Equity Schemes represents the Group's maximum risk exposure.

As at 31 December 2015, the Group is the sole funding provider of a trust investment of carrying value of RMB10,361 million (31 December 2014: RMB20,300 million). The Group concludes it does not control this trust as investment decisions are made by a trust manager, which can only be removed in limited situations.

The trust invests in predominantly debt instruments and it offers the Group an expected return of not more than 7.5% (31 December 2014: 7.5%). Its actual returns and eventual repayment of initial investments, however, depend on the performance underlying investments, which are predominantly debts in nature. The Group received returns at 7.5% (year ended 31 December 2014: 7.5%) from this trust for the year ended 31 December 2015. The life of this trust arrangement is 5 years but can be extended for another 2 years upon mutual consent. The Group's maximum loss is limited to its investments and has no contractual obligations or intention to provide any financial support to the trust.

	31 December 2015	31 December 2014
Classification of equity securities and mutual funds		
Held for trading, at fair value		
– issued by banks and other financial institutions	**26,675**	15,595
– issued by corporate entities	**2,039**	15
– issued by public sector entities	**20**	–
Available-for-sale, at fair value		
– issued by banks and other financial institutions	**69,697**	42,038
– issued by corporate entities	**15,386**	10,924
– issued by public sector entities	**401**	482
– issued by others	**193**	170
Available-for-sale, at cost less impairment		
– issued by banks and other financial institutions	**–**	3,033
– issued by corporate entities	**503**	80
Total equity securities and mutual funds	**114,914**	72,337
Classification of trust schemes		
Available-for-sale, at fair value		
– issued by banks and other financial institutions	**10,361**	20,300
Total equity securities, mutual funds and trust schemes	**125,275**	92,637

(Amounts in millions of Renminbi, unless otherwise stated)

21. INSURANCE RECEIVABLES, NET

	31 December 2015	31 December 2014
Insurance receivables	24,427	21,164
Less: Impairment provision on insurance receivables	(2,869)	(2,689)
TOTAL	21,558	18,475

(a) The movements of provision for impairment of insurance receivables are as follows:

	2015	2014
At 1 January	2,689	2,313
Impairment losses recognised *(note 11)*	320	517
Amount written off as uncollectible	(140)	(141)
At 31 December	2,869	2,689

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

	31 December 2015	31 December 2014
Not yet due and within 3 months	18,769	16,519
3 to 6 months	1,136	677
6 to 12 months	1,321	917
1 to 2 years	241	280
Over 2 years	91	82
Total	21,558	18,475

22. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	31 December 2015	31 December 2014
Reinsurers' share of		
Unearned premium reserves	9,276	9,555
Claim reserves	17,177	16,237
Long-term life insurance reserves	89	65
TOTAL	26,542	25,857

(Amounts in millions of Renminbi, unless otherwise stated)

23. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2015	31 December 2014
More than 3 months to 1 year	**1,375**	4,385
1 to 2 years	**8**	–
2 to 3 years	**1,385**	1,967
More than 3 years	**145,329**	158,056
TOTAL	**148,097**	164,408

These term deposits of the Group bear fixed or variable interests and range from 0.75%-7.50% and 3.30%-4.95% per annum as at 31 December 2015, respectively (31 December 2014: range from 0.75%-6.60% and 0.75%-4.43% per annum).

24. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2015	31 December 2014
Long-term debt investment schemes	**99,655**	81,980
Asset management products	**8,130**	12,930
Reinsurance arrangement classified as investment contract	**2,000**	2,000
Subordinated debts held	**700**	1,220
TOTAL	**110,485**	98,130

Long-term debt investment schemes ("Debt Schemes") are structured entities and offer either fixed or variable interests to their investors, the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group's investments in Debt Schemes are entirely lending transactions in nature and the Group's proportion of funds lent to these Debt Schemes ranges from 2% to 100% of the total funds raised. The interest rates of these Debt Schemes are 4.22%-8.20% (31 December 2014: 4.25%-8.30%) per annum as at 31 December 2015.

All loans originated by the Debt Schemes with the funds received from their investors are guaranteed by third parties and these guarantees are always joint, irrevocable and unconditional. Guarantors of Debt Schemes are banks of high credit rating or state-owned enterprises. The Group does not control any of these Debt Schemes. The Group's voting rights as lenders to these Debt Schemes are protective of the Group's interests in the Debt Schemes and mainly comprise of early termination or extension of the Debt Schemes' term and, when certain conditions exist, change of the Debt Schemes' managers. Support from two-thirds of the beneficiary interests are required to pass resolutions to make these changes.

24. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES *(continued)*

As at 31 December 2015, except for a Debt Scheme under which the Group commits a debt investment of RMB1,660 million (2014: RMB3,105 million), the Group did not guarantee or provide any financing support for these Debt Schemes, and considers that the carrying amount of the loans to these Debt Schemes represents the Group's maximum risk exposure.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in active market. These financial products include securitised assets, wealth management products offered by banks and securities companies. The interest rates of these products are 4.20%-7.80% (31 December 2014: 5.10%-7.85%) per annum as at 31 December 2015.

Included in the balance of reinsurance arrangement classified as an investment contract was an amount paid under a reinsurance arrangement which did not transfer significant insurance risk. This arrangement offered a fixed interest rate of 6.35% per annum. Both the Group and the reinsurer have a right to terminate the arrangement at the end of or subsequent to the fifth anniversary of the effective date of the reinsurance contract.

The original terms of subordinated debts are 10 years with a redemption right exercisable by the issuer as at the end of fifth year after its issue. The interest rates of these debts are 5.50%-5.60% (31 December 2014: 4.20%-5.80%) per annum as at 31 December 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

25. SUBSIDIARIES

(a) General information of subsidiaries

The particulars of the principal subsidiaries as of 31 December 2015 and 2014 are set out below:

Name	Place of incorporation/ registration	Nominal value of registered share capital	Proportion of shareholders' interest and voting rights 31 December 2015 Direct	Indirect	31 December 2014 Direct	Indirect	Principal activities/ place of operation
PICC Property and Casualty Company Limited PICC P&C ("PICC P&C")	Beijing	RMB 14,828,510,202	**68.98%**	**–**	68.98%	–	Non-life insurance, China
PICC Asset Management Company Limited ("PICC AMC")	Shanghai	RMB 800,000,000	**100.00%**	**–**	81.00%	–	Management of insurance investments, China
PICC Capital Investment Management Company Limited	Beijing	RMB 200,000,000	**100.00%**	**–**	100.00%	–	Investment management, China
PICC Health Insurance Company Limited ("PICC Health")	Beijing	RMB 6,449,770,670	**92.10%**	**1.85%**	92.10%	1.85%	Health insurance, China
PICC Life Insurance Company Limited ("PICC Life")	Beijing	RMB 25,761,104,669	**71.08%**	**8.92%**	71.08%	8.92%	Life insurance, China
PICC Investment Holding Company Limited ("PICC Investment Holding")	Beijing	RMB 800,000,000	**100.00%**	**–**	100.00%	–	Investment holding, China
PICC Hong Kong	Hong Kong	N/A	**75.00%**	**–**	75.00%	–	P&C insurance, Hong Kong
Zhongsheng International Insurance Brokers Company Limited	Beijing	RMB 170,727,800	**92.71%**	**–**	92.71%	–	Insurance and reinsurance brokerage, China
PICC Services (Europe) Ltd.	London	GBP 500,000	**100.00%**	**–**	100.00%	–	Claim handling agency, London
No. 88 Development Company	Beijing	RMB 500,596,647	**100.00%**	**–**	100.00%	–	Estate services and property management, China
PICC Asset Management (Hong Kong) Company Limited	Hong Kong	N/A	**100.00%**	**–**	100.00%	–	Management of insurance investments, Hong Kong

(Amounts in millions of Renminbi, unless otherwise stated)

25. SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Only principal subsidiaries which are directly held by the Company and have material impact on the consolidated financial statements are listed above. Other subsidiaries did not materially affect the Group's net financial position and operating results and were therefore not separately disclosed.

As at 31 December 2015, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, except for PICC P&C, which is listed on the Main Board of the Hong Kong Stock Exchange. As at 31 December 2015, market value of shares of PICC P&C is RMB132,144 million (31 December 2014: RMB121,686 million).

Borrowings and subordinated debts issued by these subsidiaries are set out in notes 35 and 36 to these consolidated financial statements.

The Company and the following subsidiaries had issued subordinated debts at the end of the year:

	31 December 2015 Held by third parties		31 December 2014 Held by third parties	
	Nominal Amount	Carrying Amount	Nominal Amount	Carrying Amount
The Company	16,000	15,973	16,000	15,963
PICC P&C	16,000	16,297	22,000	22,450
PICC Life	6,000	6,105	8,500	8,657
PICC Health	800	835	800	844
	38,800	39,210	47,300	47,914

At the end of the reporting period, the Company has other indirectly held subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activity subsidiaries	Place of incorporation and operation	Number of subsidiaries 31 December 2015	31 December 2014
Insurance intermediaries	Beijing, Shanghai, Shenzhen and others	5	5
Insurance training services	Hainan	1	1
Property development and management	Beijing, Shanghai and others	8	5
Hotels, restaurants and others	Beijing, Zhejiang and others	3	2
		17	13

(Amounts in millions of Renminbi, unless otherwise stated)

25. SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownerships' interests and voting rights held by non-controlling interests 31 December 2015	31 December 2014	Profit allocated to non-controlling interests 31 December 2015	31 December 2014	Accumulated non-controlling interests 31 December 2015	31 December 2014
PICC P&C and its subsidiaries	Beijing	**31.02%**	31.02%	**6,777**	4,689	**33,800**	26,611
PICC Life and its subsidiaries	Beijing	**20.00%**	20.00%	**711**	374	**7,019**	6,058

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

In particular, an interest in an equity instrument, Industrial Bank, is accounted for as an available-for-sale financial assets in the consolidated financial statements of PICC P&C but when combined with voting rights held by the Company and PICC Life, this interest is accounted for as an associate in the Group's consolidated financial statements. The information presented in this note does not consider the impact had these equity interests been accounted for as an associate in the consolidated financial statements of PICC P&C.

PICC P&C

	31 December 2015	31 December 2014
Total assets	**420,420**	366,130
Total liabilities	**311,469**	280,355
Total shareholders' equity	**108,951**	85,775

(Amounts in millions of Renminbi, unless otherwise stated)

25. SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

PICC P&C ***(continued)***

	2015	2014
Total income	276,769	224,820
Total benefits, claims and expenses	(249,039)	(205,686)
Share of profits and losses of associates	473	307
Income tax expense	(6,356)	(4,326)
Profit for the year	21,847	15,115
Other comprehensive income for the year	5,333	8,943
Total comprehensive income for the year	27,180	24,058
Dividends paid to non-controlling interests	1,242	933
Net cash inflow from operating activities	27,232	31,467
Net cash outflow from investing activities	(26,507)	(25,140)
Net cash (outflow)/inflow from financing activities	(2,054)	1,558
Net cash (outflow)/inflow	(1,329)	7,885

PICC Life

	31 December 2015	31 December 2014
Total assets	357,560	354,044
Total liabilities	322,467	323,756
Total shareholders' equity	35,093	30,288

(Amounts in millions of Renminbi, unless otherwise stated)

25. SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

PICC Life ***(continued)***

	2015	2014
Total income	**111,310**	98,146
Total benefits, claims and expenses	**(110,551)**	(98,098)
Share of profit of an associate	**2,701**	2,287
Income tax expense	**96**	(464)
Profit for the year	**3,556**	1,871
Other comprehensive income for the year	**1,732**	5,837
Total comprehensive income for the year	**5,288**	7,708
Dividends paid to non-controlling interests	**96**	33
Net cash outflow from operating activities	**(4,363)**	(33,688)
Net cash inflow from investing activities	**30,563**	25,302
Net cash outflow from financing activities	**(18,427)**	(5,372)
Net cash inflow/(outflow)	**7,773**	(13,758)

(c) Changes in ownership interests in subsidiaries

During the year, the Company and a non-controlling shareholder of PICC AMC entered into an equity interest transfer agreement, whereby the non-controlling shareholder sold its 19% equity interest in PICC AMC to the Company. After a deduction of the cash dividend payable to that non-controlling shareholder, the consideration for this acquisition was approximately RMB230 million, and an amount of RMB35 million, which represents the difference between the considerations paid and the Company's share of net assets of this subsidiary, was credited to other reserves. After the completion of this transaction, PICC AMC became a wholly owned subsidiary of the Company.

(d) Significant restrictions

As certain subsidiaries of the Company are engaged in insurance business and regulated by the relevant insurance regulatory authorities, the ability of the Company and its subsidiaries to access assets held by these subsidiaries to settle liabilities of the Group is restricted. The carrying amounts of assets held by these insurance entities are disclosed in note 4 to these financial statements as segment assets of non-life insurance, life insurance and health insurance sectors.

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in the associates and joint ventures as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Associates		
Cost of investment in associates	37,402	25,858
Share of post-acquisition profits and other comprehensive income	13,016	7,375
Subtotal	50,418	33,233
Joint ventures		
Cost of investment in joint ventures	2,890	2,895
Total	53,308	36,128

(b) Particulars of the principal associates are as follows:

Associates	Place of registration	Principal activities/ Place of operation	Percentage of ownership interest and voting rights held by the Group — 31 December 2015 Direct	31 December 2015 Indirect	31 December 2014 Direct	31 December 2014 Indirect
Industrial Bank (1)	Fujian	Banking, China	0.91%	13.15%	0.91%	9.96%
China Credit Trust Company Limited ("China Credit Trust")	Beijing	Trust business, China	32.92%	–	32.92%	–

The Group accounts for its interests in these entities as associates as it has representatives in boards of directors in these entities.

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(1) On 31 December 2012, the Company, PICC P&C and PICC Life in aggregate subscribed approximately 1.38 billion shares of Industrial Bank through a private placement. After the completion of the subscription, the Company, PICC P&C and PICC Life each holds 0.91%, 4.98% and 4.98% voting rights in Industrial Bank and the Group as a whole became the second largest shareholder of Industrial Bank.

On 19 April 2013, Mr. Li Liangwen, the President of PICC Life, was nominated by the Group to be the director nominee of Industrial Bank and attended the Industrial Bank board meeting as the representative of shareholder. Considering the shareholders' rights in Industrial Bank and comprehensive cooperation agreement signed on 8 May 2013 between the Group and the Industrial Bank, the Group holds the view that it has the ability to have significant influence over Industrial Bank since 8 May 2013 and therefore accounts for its equity interest in Industrial Bank as an associate using equity method in its consolidated financial statements.

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, acquired 280 million and 328 million shares, respectively, of Industrial Bank in the open market at considerations of RMB4,641 million and RMB5,454 million respectively. Therefore, the Group's aggregate interest in this associate was increased from 10.87% to 14.06%. Goodwill of RMB485 million arose from this acquisition.

The above table lists the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length. As at 31 December 2015, apart from the two associates disclosed above, the Group has in aggregate 11 (31 December 2014: 7) immaterial associates and joint ventures and their aggregate information was presented in note 26(c).

Summarised consolidated financial information in respect of each of the Group's material associates is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the RPC, and adjusted for any material differences from IFRS.

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

Industrial Bank

	30 September 2015	30 September 2014
Total assets	**5,289,398**	3,995,577
Total liabilities	**4,983,559**	3,758,661
Attributable to		
Equity holders of Industrial Bank	**302,424**	233,990
Non-controlling interests	**3,415**	2,926
Total equity	**305,839**	236,916

	Period from 1 October 2014 to 30 September 2015	Period from 1 October 2013 to 30 September 2014
Revenue	**146,402**	119,833
Profit attributable to		
Equity holders of Industrial Bank	**50,055**	46,413
Non-controlling interests	**419**	341
Profit for the period	**50,474**	46,754
Other comprehensive income/(expense) attributable to		
Equity holders of Industrial Bank	**3,385**	1,864
Non-controlling interests	**(12)**	12
Other comprehensive income for the period	**3,373**	1,876
Total comprehensive income attributable to		
Equity holders of Industrial Bank	**53,440**	48,277
Non-controlling interests	**407**	353
Total comprehensive income for the period	**53,847**	48,630
Dividends received from the associate during the period	**1,180**	952

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

Industrial Bank ***(continued)***

Reconciliation of the above summarised financial information to the carrying amount of the interest in Industrial Bank recognised in the consolidated financial statements:

	30 September 2015	30 September 2014
Net assets of Industrial Bank attributable to equity holders of Industrial Bank	302,424	233,990
Total preference shares issued by Industrial Bank	(25,905)	–
Net assets attributable to ordinary share holders of Industrial Bank	276,519	233,990
Proportion of the Group's shareholders' interest in Industrial Bank	14.06%	10.87%
The Group's shareholders' interest in net assets of Industrial Bank	38,879	25,435
Goodwill	485	–
Net fair value adjustment to the investee's identifiable assets and liabilities	2,604	1,351
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	(117)	(68)
Carrying amount of the Group's interest in Industrial Bank	41,851	26,718
Fair value of shares listed in Mainland China	45,006	30,253

On 31 December 2015, except for Industrial Bank which was listed on the Main Board of The Shanghai Stock Exchange, Mainland China, all other associates that the Group holds interests in are unlisted companies.

Since Industrial Bank shares are subject to lock-up periods, in estimation of their fair value, the Group used quoted price of the shares taking into account of non-marketability discount estimated using Black-Scholes option pricing model. The Group used the historical volatility of share prices as the significant unobservable input in the fair value measurement of the non-marketability discount. An increase or decrease in historical volatility of shares would have a significant impact on the fair value measurement of non-marketability discount and the recorded fair value. Therefore, the fair value of the interests in Industrial Bank was classified as Level 3 hierarchy.

Industrial Bank is a listed company and its annual results are usually public available after the results announcement of the Group. Therefore, as permitted by IAS 28 "Investments in Associates", the Group account for its share of the profit of Industrial Bank from 1 October 2014 to 30 September 2015 (31 December 2014: 1 October 2013 to 30 September 2014).

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

China Credit Trust

	31 December 2015	31 December 2014
Total assets	18,426	14,560
Total liabilities	4,291	1,580
Attributable to		
Equity holders of China Credit Trust	14,111	12,938
Non-controlling interests	24	42
Total shareholders' equity	14,135	12,980

	2015	2014
Revenue	2,868	2,518
Profit attributable to		
Equity holders of China Credit Trust	1,566	2,149
Non-controlling interests	7	33
Profit for the year	1,573	2,182
Other comprehensive income attributable to		
Equity holders of China Credit Trust	–	81
Non-controlling interests	–	1
Other comprehensive income for the year	–	82
Total comprehensive income attributable to		
Equity holders of China Credit Trust	1,566	2,230
Non-controlling interests	7	34
Total comprehensive income for the year	1,573	2,264
Dividends received from the associate during the year	129	146

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

China Credit Trust *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Credit Trust recognised in the consolidated financial statements:

	31 December 2015	31 December 2014
Net assets of China Credit Trust attributable to equity holders of China Credit trust	**14,111**	12,938
Proportion of the Group's shareholders' interest in China Credit Trust	**32.92%**	32.92%
Carrying amount of the Group's interest in China Credit Trust	**4,645**	4,259

(c) Aggregate information of associates and joint ventures that are not individually material:

	2015	2014
The Group's share of profit	**158**	142
The Group's share of other comprehensive income/(expense)	**150**	(2)
The Group's share of total comprehensive income	**308**	140
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**6,812**	5,151

(Amounts in millions of Renminbi, unless otherwise stated)

27. INVESTMENT PROPERTIES

	31 December 2015	31 December 2014
Beginning of year	**10,682**	10,075
Additions	**15**	80
Transfers from property and equipment *(note 28)*	**170**	556
Transfer from prepaid land premium *(note 30)*	**7**	119
Gains on revaluation of properties upon transfer from property and equipment	**414**	269
Gains on revaluation of properties upon transfer from prepaid land premiums	**14**	173
(Decrease)/Increase in fair value of investment properties *(note 6(c))*	**(510)**	21
Transfer to property and equipment *(note 28)*	**(424)**	(565)
Disposals	**(10)**	(46)
End of year	**10,358**	10,682

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB3,122 million as at 31 December 2015 (31 December 2014: RMB3,101 million).

The Group's investment properties were revalued at the end of the reporting period by independent professional valuers. The investment properties held by PICC P&C and PICC Life were revalued by DTZ Debenham Tie Leung Limited. The investment properties held by PICC Investment Holding was revalued by Beijing Guorongxinghua Assets Appraisal Company Limited. Valuations were based on combination of the following two approaches:

(1) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or

(2) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The independent valuers usually determine the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to their professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior year. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

One of the key inputs used in valuing these investment properties was the capitalisation rate used, which ranges from 4.0% to 8.0% as at 31 December 2015 (31 December 2014: 4.0% to 8.0%). A slight increase in the capitalisation rate used would result in a significant decrease in fair value measurement of investment properties, and vice versa.

(Amounts in millions of Renminbi, unless otherwise stated)

28. PROPERTY AND EQUIPMENT

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2015	23,129	7,082	1,960	1,714	33,885
Additions	1,616	605	53	1,245	3,519
Transfer of construction in progress	425	7	–	(432)	–
Transfer from investment property *(note 27)*	424	–	–	–	424
Transfer to investment property *(note 27)*	(240)	–	–	–	(240)
Disposals	(81)	(299)	(230)	(95)	(705)
As at 31 December 2015	25,273	7,395	1,783	2,432	36,883
ACCUMULATED DEPRECIATION					
As at 1 January 2015	5,420	4,882	1,124	–	11,426
Depreciation *(note 11)*	750	1,111	270	–	2,131
Transfer to investment properties *(note 27)*	(70)	–	–	–	(70)
Disposals	(44)	(285)	(217)	–	(546)
As at 31 December 2015	6,056	5,708	1,177	–	12,941
IMPAIRMENT LOSSES					
As at 1 January 2015	831	2	–	36	869
Disposals	(1)	–	–	(21)	(22)
As at 31 December 2015	830	2	–	15	847
NET CARRYING VALUES					
As at 31 December 2015	18,387	1,685	606	2,417	23,095
As at 1 January 2015	16,878	2,198	836	1,678	21,590

(Amounts in millions of Renminbi, unless otherwise stated)

28. PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2014	22,228	6,585	1,811	1,703	32,327
Additions	439	754	320	686	2,199
Transfer of construction in progress	633	22	–	(655)	–
Transfer from investment property *(note 27)*	565	–	–	–	565
Transfer to investment property *(note 27)*	(683)	–	–	–	(683)
Disposals	(53)	(279)	(171)	(20)	(523)
As at 31 December 2014	23,129	7,082	1,960	1,714	33,885
ACCUMULATED DEPRECIATION					
As at 1 January 2014	4,844	3,583	978	–	9,405
Depreciation *(note 11)*	694	1,564	309	–	2,567
Transfer to investment properties *(note 27)*	(104)	–	–	–	(104)
Disposals	(14)	(265)	(163)	–	(442)
As at 31 December 2014	5,420	4,882	1,124	–	11,426
IMPAIRMENT LOSSES					
As at 1 January 2014	832	–	–	36	868
Additions *(note 11)*	24	2	–	–	26
Transfer to investment properties *(note 27)*	(23)	–	–	–	(23)
Disposals	(2)	–	–	–	(2)
As at 31 December 2014	831	2	–	36	869
NET CARRYING VALUES					
As at 31 December 2014	16,878	2,198	836	1,678	21,590
As at 1 January 2014	16,552	3,002	833	1,667	22,054

The Group was still in the process of applying for title certificates for its buildings with a carrying value of RMB921 million as at 31 December 2015 (31 December 2014: RMB1,378 million). The Directors are of the opinion that the Group has ownership of these buildings.

A building of a carrying amount of RMB3,735 million (31 December 2014: RMB3,554 million) was pledged to a bank for a loan as at 31 December 2015. Details are set out in note 33(b).

(Amounts in millions of Renminbi, unless otherwise stated)

29. INTANGIBLE ASSETS

	Software 31 December 2015	31 December 2014
COST		
Beginning of the year	**1,282**	894
Additions	**410**	391
Disposals	**(76)**	(3)
End of the year	**1,616**	1,282
ACCUMULATED AMORTISATION		
Beginning of the year	**474**	361
Amortisation *(note 11)*	**147**	115
Disposals	**(10)**	(2)
End of the year	**611**	474
NET CARRYING VALUES		
End of the year	**1,005**	808
Beginning of the year	**808**	533

(Amounts in millions of Renminbi, unless otherwise stated)

30. PREPAID LAND PREMIUMS

	Prepaid land premiums	
	31 December 2015	31 December 2014
COST		
Beginning of the year	**5,093**	4,862
Additions	**259**	425
Transfer to investment properties *(note 27)*	**(10)**	(161)
Disposals	**(79)**	(33)
End of the year	**5,263**	5,093
ACCUMULATED AMORTISATION		
Beginning of the year	**1,147**	1,064
Amortisation *(note 11)*	**158**	131
Transfer to investment properties *(note 27)*	**(3)**	(42)
Disposals	**(24)**	(6)
End of the year	**1,278**	1,147
IMPAIRMENT LOSSES		
At beginning and the end of the year	**44**	44
NET CARRYING VALUES		
End of the year	**3,941**	3,902
Beginning of the year	**3,902**	3,754

31. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Deferred tax assets	**2,251**	1,086
Deferred tax liabilities	**(1,455)**	(915)
TOTAL	**796**	171

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

The movements of deferred tax assets and liabilities of the Group during 2015 and 2014 are as follows:

	2015			
	As at 1 January	(Charged)/ credited to the income statement during the year	Charged to equity during the year	As at 31 December
Provision for impairment losses	812	165	–	977
Employee benefits payable	1,594	(27)	–	1,567
Adjustments related to available-for-sale financial assets	(820)	–	(1,752)	(2,572)
Fair value adjustments to financial assets carried at fair value through profit or loss	(81)	(51)	–	(132)
Cash flow hedging	(6)	–	3	(3)
Fair value adjustments arising from investment properties	(1,596)	128	(107)	(1,575)
Insurance contract liabilities	228	2,239	–	2,467
Others	40	27	–	67
Net value	171	2,481	(1,856)	796

	2014			
	As at 1 January	(Charged)/ credited to the income statement during the year	Charged to equity during the year	As at 31 December
Provision for impairment losses	1,149	(337)	–	812
Employee benefits payable	1,003	591	–	1,594
Adjustments related to available-for-sale financial assets	939	–	(1,759)	(820)
Fair value adjustments to financial assets carried at fair value through profit or loss	8	(89)	–	(81)
Cash flow hedging	(2)	–	(4)	(6)
Fair value adjustments arising from investment properties	(1,481)	(5)	(110)	(1,596)
Insurance contract liabilities	(353)	581	–	228
Others	(153)	193	–	40
Net value	1,110	934	(1,873)	171

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB11,874 million as at 31 December 2015 (31 December 2014: RMB11,271 million), of which deductible tax losses amounted to RMB10,441 million as at 31 December 2015 (31 December 2014: RMB10,191 million).

The expiry dates of unused tax losses are as follows:

	31 December 2015	31 December 2014
31 December 2016	470	904
31 December 2017	408	1,142
31 December 2018	5,344	5,104
31 December 2019	3,571	3,041
31 December 2020	648	–
TOTAL	10,441	10,191

32. OTHER ASSETS

Carrying values of other assets are as follows:

	Note	31 December 2015	31 December 2014
Interest receivables		11,202	11,184
Policy loans	(a)	3,345	4,603
Other receivables	(b)	5,008	2,046
Amount due from MOF	(c)	344	344
Dividends receivables		90	306
Others		7,247	6,723
TOTAL		27,236	25,206
Less: Impairment provision on other assets	(d)	(1,636)	(1,269)
Net value		25,600	23,937

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rate at 5.22%-6.45% (31 December 2014: 6.00%-6.45%) per annum as at 31 December 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

32. OTHER ASSETS *(continued)*

(b) Other receivables

	31 December 2015	31 December 2014
Securities settlement account	**3,817**	161
Prepayments and deposits	**583**	1,229
Other receivables	**608**	656
TOTAL	**5,008**	2,046
Less: Impairment provision	**(394)**	(400)
Net value	**4,614**	1,646

(c) The balance included an amount of RMB344 million as at 31 December 2015 (31 December 2014: RMB344 million), which is recoverable from the MOF as a result of the Group's assumption of a post-employment benefit obligation as further described in note 42(d)(3).

(d) The movements of provision for impairment of other assets are as follow:

	31 December 2015	31 December 2014
At 1 January	**1,269**	1,307
Impairment losses recognised *(Note 11)*	**383**	21
Amount written off as uncollectible	**(16)**	(59)
At 31 December	**1,636**	1,269

33. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(a) Deposits with restricted rights or ownership

As at 31 December 2015, term deposits amounting to RMB1,442 million (31 December 2014: RMB1,073 million) was subject to various restrictions, in particular for the Group's involvement in agricultural insurance and satellite launch risk insurance against non-commercial use satellites.

(b) Pledged real estate property of No. 88 Development Company

No. 88 Development Company pledged its land and building located on No. 88 West Chang'an Avenue with a carrying amount of RMB3,735 million as at 31 December 2015 (31 December 2014: RMB3,554 million) to China Construction Bank with a loan balance of RMB980 million as at 31 December 2015 (31 December 2014: RMB687 million).

(Amounts in millions of Renminbi, unless otherwise stated)

33. PLEDGED ASSETS AND RESTRICTED DEPOSITS *(continued)*

(c) Securities pledged for repurchase transactions

As described in note 34 to these financial statements, the Group entered into a number of arrangements to sell certain bond securities with commitments to repurchasing in the future. These bond securities are continued to be recognised in these consolidated financial statements and classified as held-for-trading, available-for-sale, or held-to-maturity securities, but they are in effect pledged as collaterals for these transactions.

	31 December 2015	31 December 2014
Carrying amount of transferred assets	43,635	44,415
Carrying amount of associated liabilities		
– Securities sold under agreements to repurchase	28,231	35,488
Net	15,404	8,927

34. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2015	31 December 2014
Transactions by market places:		
Stock exchange	20,449	24,669
Inter-bank market	7,782	10,819
TOTAL	28,231	35,488

Debt securities are pledged for these transactions and details are set out in note 33(c) to these consolidated financial statements.

35. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Long-term borrowings		
– Carrying amount repayable more than five years	980	687

Maturity profile of borrowings is disclosed in note 44(b)(2).

(Amounts in millions of Renminbi, unless otherwise stated)

36. SUBORDINATED DEBTS

	31 December 2015	31 December 2014
Carrying amount repayable:		
– More than one year, but not exceeding two years	3,031	3,062
– More than two years, but not exceeding five years	6,043	844
– More than five years	30,136	44,008
TOTAL	39,210	47,914

Terms of these subordinated debts are ten years. With proper notice to the counterparties, the Group has an option to redeem the subordinated debts at par values at the end of the fifth year from the date of issue. The interest rates of the Group's subordinated debts are 4.08%-6.19% in the first five years (2014: 4.08%-6.19%) and 6.08%-8.19% in the second five years (2014: 6.08%-8.19%).

37. INSURANCE CONTRACT LIABILITIES

	31 December 2015		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts (a)	285,376	89	285,287
Short-term health insurance contracts (b)			
– Claim reserves	3,004	508	2,496
– Unearned premium reserves	1,734	88	1,646
Non-life insurance contracts (c)			
– Claim reserves	114,639	16,669	97,970
– Unearned premium reserves	102,933	9,188	93,745
Total insurance contract liabilities	507,686	26,542	481,144

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

	31 December 2014		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts (a)	276,238	65	276,173
Short-term health insurance contracts (b)			
– Claim reserves	2,575	564	2,011
– Unearned premium reserves	1,467	93	1,374
Non-life insurance contracts (c)			
– Claim reserves	102,702	15,673	87,029
– Unearned premium reserves	95,658	9,462	86,196
Total insurance contract liabilities	478,640	25,857	452,783

(a) Long-term life and health insurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	278,412	68	278,344
Additions	93,254	3	93,251
Payments	(39,955)	(6)	(39,949)
Surrenders	(55,473)	–	(55,473)
At 31 December 2014	276,238	65	276,173
Additions	102,457	43	102,414
Payments	(40,396)	(19)	(40,377)
Surrenders	(52,923)	–	(52,923)
At 31 December 2015	285,376	89	285,287

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(b) Short-term health insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	3,310	1,041	2,269
Claims incurred	6,720	1,886	4,834
Claims paid	(7,455)	(2,363)	(5,092)
At 31 December 2014	2,575	564	2,011
Claims incurred	7,734	1,975	5,759
Claims paid	(7,305)	(2,031)	(5,274)
At 31 December 2015	3,004	508	2,496

(2) Unearned premiums reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	1,392	188	1,204
Premiums written	9,038	1,713	7,325
Premiums earned	(8,963)	(1,808)	(7,155)
At 31 December 2014	1,467	93	1,374
Premiums written	10,062	1,631	8,431
Premiums earned	(9,795)	(1,636)	(8,159)
At 31 December 2015	1,734	88	1,646

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(c) Non-life insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	92,051	14,913	77,138
Claims incurred	155,387	19,064	136,323
Claims paid	(144,736)	(18,304)	(126,432)
At 31 December 2014	102,702	15,673	87,029
Claims incurred	172,950	19,129	153,821
Claims paid	(161,013)	(18,133)	(142,880)
At 31 December 2015	114,639	16,669	97,970

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2014	86,611	11,012	75,599
Premiums written	253,166	30,773	222,393
Premiums earned	(244,119)	(32,323)	(211,796)
At 31 December 2014	95,658	9,462	86,196
Premiums written	281,817	29,158	252,659
Premiums earned	(274,542)	(29,432)	(245,110)
At 31 December 2015	102,933	9,188	93,745

(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	31 December 2015	31 December 2014
Interest-bearing deposits	**25,823**	23,734
Non-interest-bearing deposits	**1,778**	1,786
Total	**27,601**	25,520

The movements in investment contract liabilities for policyholders are as follows:

	31 December 2015	31 December 2014
Beginning of year	**25,520**	41,640
Deposits received after deducting fees	**9,151**	5,111
Deposits withdrawn	**(8,269)**	(22,569)
Interest credited *(note 9)*	**1,199**	1,338
End of year	**27,601**	25,520

The original maturities of these investment contracts are from repayable to demand to more than five years. These liabilities bear no interests or variable interest rates, which are declared by the Group regularly. The range of variable interest rates is from 2.5%-6.0% per annum as at 31 December 2015 (31 December 2014: 2.5%-6.0%).

39. PENSION BENEFIT OBLIGATION

The Group is committed to certain pension and medical benefits of employees who retired on or prior to 31 July 2003. The amounts of these pension and medical benefits are paid monthly according a policy agreed with these employees and number of years of services of these employees with the Group. The Group also offered an early retirement program to certain employees for its group reorganisation in 2003. For employees who joined this program, they are entitled various periodic benefits up to their normal retirement ages. The beneficiaries of these pension benefits are not in active employment with the Group and these benefits are fully vested. There is no plan asset for these pension benefits.

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(a) The movements in the present value of early retirement and retirement benefits are shown below:

	31 December 2015	31 December 2014
Beginning of year	**2,862**	2,614
Interest cost on benefit obligation *(note 9)*	**101**	118
Actuarial losses arising from changes in financial assumptions	**226**	286
Actuarial losses arising from experience adjustments	**46**	98
Benefits paid	**(245)**	(254)
End of year	**2,990**	2,862

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.

- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

In aggregate, actuarial losses of RMB272 million (2014: actuarial gains of RMB384 million) were credited to other comprehensive income for the current year of 2015.

In prior years, actuarial gains or losses recognised in other comprehensive income were included in retained profits in the period in which these gains or losses arose. During the current year, the Group changed its accounting policy to accumulate all actuarial losses recognised for pension benefit obligations in a separate reserve headed 'actuarial (losses)/gains on pension benefit obligation' until the pension scheme is terminated, at which point in time the cumulative actuarial losses recognised in other comprehensive income will be transferred to retained profits. As a result, an amount of RMB421 million, which represents cumulative actuarial losses arising from the pension scheme up to 31 December 2014, was transferred from retained profits to the actuarial (losses)/gains on pension benefit obligation reserve.

This change represents a mere transfer between the reserves of the Group and has had no other impact on the consolidated financial statements.

Ernst & Young (China) Advisory Limited was engaged by the Group to measure the retirement benefit plans at the end of each annual reporting period.

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(b) The discount rates and the principal actuarial assumptions for the above obligations are as follows:

	31 December 2015	31 December 2014
Discount rates:		
– Early retirement benefits	**2.60%**	3.40%
– Retirement benefits	**2.85%**	3.65%
– Supplementary medical benefits	**3.00%**	3.75%
Average annual benefit growth rates:		
– Early retirement benefits	**2.50%**	2.50%
– Medical expenses	**8.00%**	8.00%

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. As at 31 December 2015, the durations of early retirement benefits, retirement benefits and supplementary medical benefits are 3.7, 8.6 and 12.8 as at 31 December 2015. (31 December 2014: 3.4, 8.5 and 12.6).

The maturity of these benefits, in terms of undiscounted cash flows, is presented in note 44(b)(2).

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million was recognised on the restructuring and reorganisation of the Company, as described in note 42(d)(3).

(c) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and benefit growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumptions	**Effect on the pension benefit obligation**	
		2015	2014
Discount rate	+50bp	**(150)**	(140)
Discount rate	-50bp	**164**	153
Average annual benefit growth rate	+50bp	**161**	152
Average annual benefit growth rate	-50bp	**(149)**	(140)

(Amounts in millions of Renminbi, unless otherwise stated)

40. OTHER LIABILITIES

	31 December 2015	31 December 2014
Premiums received in advance	**16,054**	11,495
Salaries and welfare payable	**12,139**	8,726
Due to reinsurers	**11,169**	11,482
Claims payable	**8,451**	7,371
Handling charges and commission payable	**5,243**	3,776
Business tax and other tax payable	**5,141**	4,872
Insurance security fund	**803**	813
Interests payable	**719**	916
Others	**7,170**	6,220
TOTAL	**66,889**	55,671

Premiums received in advance represent amounts collected from policies not yet effective as at the 31 December 2015 and 31 December 2014, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

41. SHARE CAPITAL

	31 December 2015	31 December 2014
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424
Share capital (in RMB million)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424

42. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(a) General risk reserve

In accordance with the relevant regulations, the general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations to such reserves based on their respective year-end profit or risk assets as determined based on applicable financial regulations in the PRC in their annual financial statements. This reserve is not available for profit distribution or transfer to capital.

(b) Agriculture catastrophic loss reserve

According to the relevant regulations of the PRC, which became effective on 1 January 2014, the Group is required to make appropriations to a reserve when the agriculture insurance records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases writing agriculture insurance business.

(c) Surplus reserve fund

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriations to the statutory surplus reserve based on their respect year-end profit (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriations to the discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

(Amounts in millions of Renminbi, unless otherwise stated)

42. RESERVES *(continued)*

(d) Principal items of other reserves were summarised as follows:

	Transactions with non-controlling interests *(1)*	Transfer to share capital *(2)*	Compensation for post-employment benefit obligation *(3) (Note 39)*	Total
As at 1 January 2015	**30**	**(17,942)**	**2,847**	**(15,065)**
Changes	**55**	**–**	**–**	**55**
As at 31 December 2015	**85**	**(17,942)**	**2,847**	**(15,010)**

	Transactions with non-controlling interests *(1)*	Transfer to share capital *(2)*	Compensation for post-employment benefit obligation *(3) (Note 39)*	Total
As at 1 January 2014	106	(17,942)	2,847	(14,989)
Changes	(76)	–	–	(76)
As at 31 December 2014	30	(17,942)	2,847	(15,065)

(1) The amount represents certain transactions with non-controlling interests, including direct acquisition of ownership interests in subsidiary from non-controlling interests, or deemed acquisitions or disposals of ownership interests in subsidiaries without loss of control. The principal reason for movement was set out in note 25(c) to these consolidated financial statements.

(2) As at 30 June 2009, the Company obtained approval from MOF on conversion into a joint stock company. During the process, certain assets were revalued and the corresponding revaluation surplus was transferred to the share capital. On consolidation, these revaluations were reversed, and created a negative balance.

(3) In 2009, the Company recognised an amount of RMB2,847 million recoverable from the MOF as compensation for the Company's assumption of post-employment benefit obligation. The amount was recognised as a special capital contribution from the MOF and was credited to other reserves.

(Amounts in millions of Renminbi, unless otherwise stated)

43. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and borrowings. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The Group has had no significant changes in its policies and processes in respect of its capital structure during the current year.

The solvency margin ratios of the Group's principal subsidiaries are listed below:

	31 December 2015			31 December 2014		
(in RMB million)	**Regulatory capital held**	**Minimum regulatory capital**	**Solvency margin ratio**	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
PICC P&C	**85,356**	**37,831**	**226%**	79,440	33,290	239%
PICC Life	**36,599**	**12,082**	**303%**	34,654	11,529	301%
PICC Health	**3,191**	**1,826**	**175%**	3,206	1,718	187%

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the regulatory capital held by the minimum regulatory capital. The China Insurance Regulatory Commission ("CIRC") closely monitors those insurance companies with solvency margin ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends; insurance companies with solvency margin ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate; insurance companies with solvency margin ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

43. RISK MANAGEMENT FRAMEWORK *(continued)*

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the costs of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity and may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks are shared with the insured parties.

Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resultant insurance risk is subject to policyholders' behaviour and decisions.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(1) Insurance risk types (continued)

Prior to August 2013, traditional long-term life insurance products sold by the Group was priced at a valuation interest rate of 2.5% per annum. Subsequently, this pricing assumption was relaxed for traditional products in 2013 and then for participating products during the current year. Among the gross long-term liabilities of RMB285,376 million as at 31 December 2015, RMB165,485 million was reserved for products priced/guaranteed at 2.5%, while RMB103,689 million was reserved for products priced/guaranteed at 4.025%. If the actual investment returns generated by premiums of long term life insurance products were less than those assumed in the pricing, the Group may incur losses on these insurance contracts.

Participating insurance products are very common in the Chinese market. Long term life insurance liabilities in relation to participating insurance products was RMB148,032 million as at 31 December 2015, which constitutes around 52% of the total long term life insurance liabilities of the Group.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

Gross and net premiums written to certain extent represent the risk exposures of the Group before and after reinsurance and the information is presented in note 5 to these consolidated financial statements.

(2) Insurance risk concentration

Non-life claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong).

The Group's concentration of non-life insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	2015		2014	
	Gross	Net	Gross	Net
Coastal and developed provinces/cities (including Hong Kong)	127,798	113,327	114,668	99,501
North-eastern China	18,288	15,758	16,871	14,509
Northern China	37,656	34,914	33,940	30,822
Central China	36,733	33,260	32,321	28,545
Western China	61,342	55,399	55,366	49,016
Total premiums written from non-life insurance contracts	281,817	252,658	253,166	222,393

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(2) Insurance risk concentration (continued)

For life and health insurance contracts, their insurance risks usually do not vary significantly in relation to the geographical locations of the insured and therefore geographical concentration by locations are not presented.

(3) Reinsurance

The Group limits its exposure to losses within non-life and short-term health insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's non-life premiums ceded to the top three reinsurance companies amounted to RMB13,699 million (2014: RMB18,342 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that any of these reinsurers are unable to meet its obligations assumed under such reinsurance agreements.

Reinsurance recoveries on unpaid claims are separately estimated for proportional treaties, facultative reinsurance arrangements and other treaties applying to parts of non-life insurance contracts.

Reinsurance	Estimation method
Proportional treaty	As a certain percentage of gross claim liabilities
Facultative	Case estimates of individual large claims multiplied by an IBNR ratio
Other treaties	Incurred claims loss development method and Bornhuetter-Ferguson method

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(4) Key assumptions and sensitivity analysis

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the pre-tax impact on profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	**Pre-tax impact on profit and equity**	
		2015	2014
Discount rate	+50bp	**3,319**	2,720
Discount rate	-50bp	**(3,605)**	(2,883)
Mortality/morbidity	10%	**(288)**	(153)
Mortality/morbidity	-10%	**298**	156
Lapse and surrenders rate	25%	**697**	358
Lapse and surrenders rate	-25%	**(894)**	(384)
Expenses	110%	**(91)**	(82)
Expenses	90%	**91**	82

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(4) Key assumptions and sensitivity analysis (continued)

Long-term life insurance contracts *(continued)*

Sensitivity analysis (continued)

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Pre-tax impact on profit and equity 2015	2014
Discount rate	+25bp	**83**	27
Discount rate	-25bp	**(87)**	(27)
Mortality/morbidity	10%	**(32)**	(5)
Mortality/morbidity	-10%	**32**	4
Lapse and surrenders rate	10%	**27**	3
Lapse and surrenders rate	-10%	**(21)**	(4)
Expenses	110%	**(10)**	3
Expenses	90%	**10**	(3)

The above analysis does not take into account the mitigation effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

Non-life insurance and short-term health insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of claim reserve, projected using different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

The sensitivity of certain variables like legislative change and uncertainty in the estimation process is not possible to quantify with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2015 and 2014.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts ***(continued)***

Key assumptions (continued)

If the average cost per claim or the number of claims changes, the claim reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the net claim reserves of the Group will increase by approximately RMB5,023 million as at 31 December 2015 (31 December 2014: RMB4,452 million).

As the claims of life insurance are usually settled in 1 year, an analysis of the development of claims was not reflected in the table below.

The following analysis shows the development of non-life claims over a period of time on a gross basis:

	Accident year – gross					
	Year ended 31 December					
	2011	2012	2013	2014	2015	Total
Estimated cumulative claims:						
At the end of current year	98,939	113,718	138,469	151,002	168,917	671,045
One year later	97,976	113,751	138,704	150,258	–	500,689
Two years later	96,982	113,854	140,300	–	–	351,136
Three years later	95,909	113,903	–	–	–	209,812
Four years later	94,417	–	–	–	–	94,417
Estimated cumulative claims	94,417	113,903	140,300	150,258	168,917	667,795
Cumulative claims paid	(87,346)	(110,606)	(134,032)	(131,459)	(104,228)	(567,671)
Subtotal as at 31 December 2015						100,124
Unpaid claims prior to 2011, unallocated loss adjustment expenses, discount and risk margin						14,515
Non-life unpaid claim reserves, gross						114,639

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Insurance risk *(continued)*

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts *(continued)*

Key assumptions (continued)

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year – net					
	Year ended 31 December					
	2011	2012	2013	2014	**2015**	Total
Estimated cumulative claims:						
At the end of current year	83,972	95,107	120,247	131,580	**150,509**	581,415
One year later	83,254	95,297	120,335	131,436	**–**	430,322
Two years later	82,543	95,233	120,350	–	**–**	298,126
Three years later	81,620	95,538	–	–	**–**	177,158
Four years later	80,563	–	–	–	**–**	80,563
Estimated cumulative claims	80,563	95,538	120,350	131,436	**150,509**	578,396
Cumulative claims paid	(74,643)	(92,956)	(115,758)	(116,024)	**(95,258)**	(494,639)
Subtotal as at 31 December 2015						83,757
Unpaid claims prior to 2011, unallocated loss adjustment expenses, discount and risk margin						14,213
Non-life unpaid claim reserves, net						97,970

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, subordinated debts, debt investment schemes, interests receivable, other receivables, investments in debt securities, investments in trust schemes, insurance receivables and reinsurance arrangements. The Group holds a diversified portfolio of debt instrument and do not have concentration risk except for treasury bonds issued by Ministry of Finance. The amounts of government issued debt securities is disclosed in note 19.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A-(or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(1) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk without taking into account collateral for the components of the consolidated statement of financial position:

	31 December 2015	31 December 2014
Cash and cash equivalents	**49,883**	39,306
Derivative financial assets	**8**	23
Debt securities	**232,147**	235,905
Trust schemes	**10,361**	20,300
Insurance receivables	**21,558**	18,475
Reinsurance assets	**26,542**	25,857
Term deposits	**148,097**	164,408
Restricted statutory deposits	**9,914**	9,346
Investments classified as loans and receivables	**110,485**	98,130
Other financial assets	**24,568**	21,908
Total credit risk exposure	**633,563**	633,658

Included in cash and cash equivalents are certain securities purchased under resale agreements and the relevant collaterals are disclosed in note 17.

Included in investments classified as loans and receivables are debt investment schemes which are guaranteed by banks or other corporates. Their carrying values are disclosed in note 24.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(1) Credit risk (continued)

Ageing analysis of financial assets

	As at 31 December 2015						
		Past due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	49,883	–	–	–	–	–	49,883
Derivative financial assets	8	–	–	–	–	–	8
Debt securities	232,147	–	–	–	–	26	232,173
Trust schemes	10,361	–	–	–	–	–	10,361
Insurance receivables	16,862	750	1,357	1,097	3,204	4,361	24,427
Reinsurance assets	26,542	–	–	–	–	–	26,542
Term deposits	148,097	–	–	–	–	–	148,097
Restricted statutory deposits	9,914	–	–	–	–	–	9,914
Investments classified as loans and receivables	110,485	–	–	–	–	–	110,485
Other financial assets	21,729	826	315	1,541	2,682	1,793	26,204
Total	626,028	1,576	1,672	2,638	5,886	6,180	638,094
Less: impairment losses	–	–	–	–	–	(4,531)	(4,531)
Net	626,028	1,576	1,672	2,638	5,886	1,649	633,563

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(1) Credit risk (continued)

Ageing analysis of financial assets (continued)

	As at 31 December 2014						
		Past due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	39,306	–	–	–	–	–	39,306
Derivative financial assets	23	–	–	–	–	–	23
Debt securities	235,905	–	–	–	–	–	235,905
Trust schemes	20,300	–	–	–	–	–	20,300
Insurance receivables	14,729	494	1,172	893	2,559	3,876	21,164
Reinsurance assets	25,857	–	–	–	–	–	25,857
Term deposits	164,408	–	–	–	–	–	164,408
Restricted statutory deposits	9,346	–	–	–	–	–	9,346
Investments classified as loans and receivables	98,130	–	–	–	–	–	98,130
Other financial assets	18,526	462	374	1,982	2,818	1,833	23,177
Total	626,530	956	1,546	2,875	5,377	5,709	637,616
Less: impairment losses	–	–	–	–	–	(3,958)	(3,958)
Net	626,530	956	1,546	2,875	5,377	1,751	633,658

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(1) Credit risk (continued)

Ageing analysis of financial assets (continued)

For receivables arising from direct insurance business, the Group assesses any impairment on a collective basis according to default history of similar lines of business and ageing. For financial assets other than receivables arising from direct insurance companies, the Group considers, on an individual basis, any default on amounts due, financial strength and repayment histories of the relevant counterparties when arriving at the amount of impairment.

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds, and most of the debt securities are guaranteed by either the Chinese government or Chinese government controlled financial institutions. As at 31 December 2015, 99.86% (31 December 2014: 99.82%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

As at 31 December 2015, 98.69% (as at 31 December 2014: 99.15%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks, and CSDCC have a high credit quality.

The credit risk associated with securities purchased under agreements to resell will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and maturity term of no more than one year as at 31 December 2015 and 2014.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. As disclosed in note 24, the Group holds certain financial instruments that are classified as loans and receivables as active markets do not exist for these instruments. The Group also classified certain debt securities as held-to-maturity financial assets and is only allowed to dispose of these financial assets prior to maturities in limited situation without tainting held-to-maturity financial assets. Therefore, the Group's ability to manage liquidity risks by disposing of these financial assets will be limited by these factors. Moreover, quoted financial assets held by the Group are mainly traded on the stock exchanges or in inter-bank markets in the Mainland China. Any significant decrease in liquidity in these markets will impair the Group's ability to manage its liquidity risk.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 6% of total assets as at 31 December 2015 (31 December 2014: 5%).

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

The table below summarises maturity profiles of financial/insurance assets, financial/insurance liabilities and pension benefit obligations of the Group. Maturity profiles of financial assets and liabilities are prepared using the contractual collection or repayment dates, while those of the reinsurance assets, insurance and pension liabilities are prepared on the basis of expected timing of settlements based on the underlying actuarial assumptions. All amounts are based on undiscounted contractual cash flows.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(2) Liquidity risk (continued)

	As at 31 December 2015						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	31,656	19,143	–	–	–	–	50,799
Derivative financial assets	–	–	2	3	–	–	5
Debt securities	–	4,588	18,198	97,793	199,437	–	320,016
– Held for trading	–	32	448	220	135	–	835
– Available-for-sale	–	4,127	12,859	60,770	40,153	–	117,909
– Held-to-maturity	–	429	4,891	36,803	159,149	–	201,272
Equity securities, mutual funds and trust schemes	–	–	761	11,917	1,000	113,914	127,592
Insurance receivables, net	5,124	10,472	3,255	2,666	41	–	21,558
Reinsurance assets	–	4,051	13,643	6,821	2,336	–	26,851
Term deposits	–	11,850	53,999	97,802	538	–	164,189
Restricted statutory deposits	–	20	4,748	6,412	–	–	11,180
Investments classified as loans and receivables	–	1,893	13,329	90,357	35,068	–	140,647
Other financial assets	5,526	9,332	7,786	1,855	125	–	24,624
Total financial and reinsurance assets	42,306	61,349	115,721	315,626	238,545	113,914	887,461
Securities sold under agreements to repurchase	–	28,240	–	–	–	–	28,240
Due to banks and other financial institutions	–	16	161	950	201	–	1,328
Subordinated debts	–	–	4,427	10,135	42,103	–	56,665
Insurance contract liabilities	–	64,633	193,504	176,137	175,009	–	609,283
Investment contract liabilities for policyholders	44	894	1,224	2,013	4,408	19,086	27,669
Policyholder dividends payable	8,112	–	–	2	–	–	8,114
Pension benefit obligation	–	51	152	779	3,254	–	4,236
Other financial liabilities	10,778	24,627	8,451	1,788	52	–	45,696
Total financial, insurance and pension liabilities	18,934	118,461	207,919	191,804	225,027	19,086	781,231

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(2) Liquidity risk (continued)

	As at 31 December 2014						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	32,816	6,503	–	–	–	–	39,319
Derivative financial assets	–	2	12	5	–	–	19
Debt securities	–	3,441	18,518	93,491	230,159	–	345,609
– Held for trading	–	256	158	1,192	624	–	2,230
– Available-for-sale	–	2,893	14,393	61,272	59,137	–	137,695
– Held-to-maturity	–	292	3,967	31,027	170,398	–	205,684
Equity securities, mutual funds and trust schemes	–	–	–	20,300	2,500	69,837	92,637
Insurance receivables, net	4,201	10,480	2,692	1,033	69	–	18,475
Reinsurance assets	–	5,402	12,713	4,939	3,066	–	26,120
Term deposits	–	550	27,199	139,131	17,112	–	183,992
Restricted statutory deposits	–	16	1,170	8,754	–	–	9,940
Investments classified as loans and receivables	–	4,171	11,681	62,694	42,271	–	120,817
Other financial assets	7,738	7,643	9,149	5,612	–	–	30,142
Total financial and reinsurance assets	44,755	38,208	83,134	335,959	295,177	69,837	867,070
Securities sold under agreements to repurchase	–	35,516	–	–	–	–	35,516
Derivative financial liabilities	–	–	1	–	–	–	1
Due to banks and other financial institutions	10	11	35	811	120	–	987
Subordinated debts	–	–	1,635	14,756	54,313	–	70,704
Insurance contract liabilities	–	63,466	162,084	186,536	125,511	–	537,597
Investment contract liabilities for policyholders	67	990	1,041	669	1,936	20,855	25,558
Policyholder dividends payable	7,966	–	–	–	–	–	7,966
Pension benefit obligation	–	51	152	783	3,462	–	4,448
Other financial liabilities	9,578	20,633	6,850	2,132	86	–	39,279
Total financial, insurance and pension liabilities	17,621	120,667	171,798	205,687	185,428	20,855	722,056

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk respect to United States dollar ("USD") because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Foreign currency risk (continued)

The table below summarises the Group's assets and liabilities by major currency, expressed in the RMB equivalent:

31 December 2015	RMB	HKD	USD	Others	Total
Cash and cash equivalents	43,456	1,614	4,790	24	49,884
Derivative financial assets	8	–	–	–	8
Debt securities	231,071	–	1,076	–	232,147
Equity securities, mutual funds and trust schemes	121,783	2,562	930	–	125,275
Insurance receivables	18,106	40	3,359	53	21,558
Reinsurance assets	25,243	79	1,207	13	26,542
Term deposits	144,657	–	3,440	–	148,097
Restricted statutory deposits	9,914	–	–	–	9,914
Investments classified as loans and receivables	110,485	–	–	–	110,485
Other financial assets	24,214	17	322	15	24,568
Total assets	728,937	4,312	15,124	105	748,478
Securities sold under agreements to repurchase	28,231	–	–	–	28,231
Due to banks and other financial institutions	980	–	–	–	980
Subordinated debts	39,210	–	–	–	39,210
Insurance contract liabilities	505,111	745	1,782	48	507,686
Investment contract liabilities for policyholders	27,601	–	–	–	27,601
Policyholder dividends payable	8,114	–	–	–	8,114
Pension benefit obligation	2,990	–	–	–	2,990
Other financial liabilities	43,239	80	2,342	35	45,696
Total liabilities	655,476	825	4,124	83	660,508

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Foreign currency risk (continued)

31 December 2014	RMB	HKD	USD	Others	Total
Cash and cash equivalents	33,004	3,220	3,049	34	39,307
Derivative financial assets	23	–	–	–	23
Debt securities	234,248	648	1,009	–	235,905
Equity securities, mutual funds and trust schemes	90,214	1,761	662	–	92,637
Insurance receivables	14,884	80	3,458	53	18,475
Reinsurance assets	24,696	88	1,051	22	25,857
Term deposits	159,898	–	4,504	6	164,408
Restricted statutory deposits	9,346	–	–	–	9,346
Investments classified as loans and receivables	98,130	–	–	–	98,130
Other financial assets	21,521	12	363	12	21,908
Total assets	685,964	5,809	14,096	127	705,996
Securities sold under agreements to repurchase	35,488	–	–	–	35,488
Derivative financial liabilities	2	–	–	–	2
Due to banks and other financial institutions	687	–	–	–	687
Subordinated debts	47,914	–	–	–	47,914
Insurance contract liabilities	476,629	248	1,704	59	478,640
Investment contract liabilities for policyholders	25,520	–	–	–	25,520
Policyholder dividends payable	7,966	–	–	–	7,966
Pension benefit obligation	2,862	–	–	–	2,862
Other financial liabilities	36,751	111	2,390	27	39,279
Total liabilities	633,819	359	4,094	86	638,358

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Foreign currency risk (continued)

Sensitivity analysis *(continued)*

	31 December 2015	
Exchange rate of foreign currencies (in millions of RMB)	**Pre-tax impact on profit**	**Pre-tax impact on equity**
+5%	**497**	**725**
-5%	**(497)**	**(725)**

	31 December 2014	
Exchange rate of foreign currencies (in millions of RMB)	Pre-tax impact on profit	Pre-tax impact on equity
+5%	571	775
-5%	(571)	(775)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

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 changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days at a confidence level of 99% for bond investments measured at fair value.

	As at 31 December	
	2015	2014
Interest rate VaR	**758**	1,286

(Amounts in millions of Renminbi, unless otherwise stated)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Financial risks *(continued)*

(3) Market risk (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

The Group holds a diversified portfolio of equity instruments and therefore do not have significant concentration risk in any particular individual instrument. An analysis of sectors that the Group invest in is disclosed in note 20. However, the Group principally invest in the stock markets of Hong Kong and Mainland China and is subject to price risk arising from volatilities of these markets.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days at a confidence level of 99%.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged in 10 trading days. The said assumption may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2015	2014
Equity price VaR	**4,713**	3,150

(Amounts in millions of Renminbi, unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY

Classification of financial instruments

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, derivative financial assets, debt securities, equity securities, mutual funds and trust schemes, investments classified as loans and receivables, securities sold under agreement to repurchase and subordinated debts, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholder, etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying amount		**Fair value**	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Financial Assets				
Cash and cash equivalents	**49,884**	39,307	**49,884**	39,307
Held-for-trading				
– Equity securities, mutual funds and trust schemes	**28,734**	15,610	**28,734**	15,610
– Debt securities	**768**	1,942	**768**	1,942
– Derivative financial assets	**8**	23	**8**	23
Available-for-sale				
– Equity securities, mutual funds and trust schemes	**96,038**	53,614	**96,038**	53,614
– Debt securities	**106,348**	109,714	**106,348**	109,714
Held-to-maturity investment				
– Debt securities	**125,031**	124,249	**135,899**	124,140
Loans and receivables				
– Insurance receivables, net	**21,558**	18,475	**21,558**	18,475
– Term deposits	**148,097**	164,408	**148,097**	164,408
– Restricted statutory deposits	**9,914**	9,346	**9,914**	9,346
– Investments classified as loans and receivables	**110,485**	98,130	**121,760**	102,721
– Other assets	**24,568**	21,908	**24,568**	21,908
Total financial assets	**721,433**	656,726	**743,576**	661,208

(Amounts in millions of Renminbi, unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Classification of financial instruments *(continued)*

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Financial liabilities				
Derivative financial liabilities – measured at fair value through profit or loss	**–**	2	**–**	2
Other financial liabilities – measured at amortised cost				
– Securities sold under agreement to repurchase	**28,231**	35,488	**28,231**	35,488
– Due to banks and other financial institutions	**980**	687	**980**	687
– Subordinated debts	**39,210**	47,914	**44,337**	51,376
– Investment contract liabilities for policyholders	**27,601**	25,520	**27,601**	25,520
– Policyholder dividends payable	**8,114**	7,966	**8,114**	7,966
– Other liabilities	**45,696**	39,279	**45,696**	39,279
Total financial liabilities	**149,832**	156,856	**154,959**	160,318

Determination of fair value and the fair value hierarchy

This note provides information on how the Group determine the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 27 to these financial statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

(a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Items	Fair value 31 December 2015	Fair value 31 December 2014	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial assets-Interest rate swaps	**8**	23	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities-Interest rate swaps	**–**	2	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the Group's credit risk.
Held for trading debt securities	**36**	3	Level 1	Quoted bid prices in an active market.
Held for trading debt securities	**732**	1,939	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	**20,571**	21,596	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**85,777**	88,118	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Held for trading equity securities and mutual funds	**28,734**	15,610	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	**68,951**	49,000	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	**9,365**	3,614	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend rates, discounted at a rate that reflects the risk characteristic of the instrument.
Available-for-sale equity securities and mutual funds	**3,013**	1,000	Level 3	The fair value is determined with reference to the quoted market price and latest round of financing price with an adjustment of discount for lack of marketability.
Available-for-sale equity securities and mutual funds	**548**	–	Level 3	Relative value that are assessed based on average pricing-to-earnings ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities, mutual funds and trust schemes	**14,161**	20,300	Level 3	Discounted cash flow with future cash flows that are estimated based on contractual amounts and dividend rates, discounted at a rate that reflects the risk characteristic of the counterparty.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

(a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

As at 31 December 2015, the Group transferred certain debt securities with a carrying amount of RMB6,122 million (2014: RMB14,965 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB4,686 million (2014: Nil) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

(b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The level of fair value in the fair value hierarchy in respect of these fair values disclosed are as the following:

	Fair value hierarchy at 31 December 2015		
	Level 1	**Level 2**	**Total**
Financial assets			
Held-to-maturity financial assets	**3,126**	**132,773**	**135,899**
Investments classified as loans and receivables	**–**	**121,760**	**121,760**
Financial liabilities			
Subordinated debts	**–**	**44,337**	**44,337**

	Fair value hierarchy at 31 December 2014		
	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	7,454	116,686	124,140
Investments classified as loans and receivables	–	102,721	102,721
Financial liabilities			
Subordinated debts	–	51,376	51,376

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties or the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

(c) Reconciliation of Level 3 fair value measurements

	31 December 2015	31 December 2014
Unlisted available-for-sale financial assets		
Opening balance	21,300	20,300
Reclassification from cost to fair value	1,766	–
Additions	4,595	1,000
Disposals	(9,939)	–
Closing balance	17,722	21,300

Certain available-for-sale were reclassified from being measured at cost to measured at fair value as management is of the opinion fair value measurement can provide more relevant information to users of these financial statements.

In respect of unlisted available-for-sale equity securities, mutual funds and trust schemes of RMB10,361 million (2014: RMB20,300 million), its fair value is measured by discounted cash flows that are estimated based on contractual amounts and dividend rates, discounted at a rate that reflects the risk characteristics of the counterparty. A 50-basis point increase/decrease in the discount rate holding other variables constant will result in a decrease/increase in carrying amount by RMB107 million/RMB121 million (31 December 2014: RMB287 million/RMB317 million).

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements are presented in note 27 to these consolidated financial statements.

46. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or an outflow of resources embodying economic benefits is not probable.

(Amounts in millions of Renminbi, unless otherwise stated)

46. CONTINGENCIES AND COMMITMENTS *(continued)*

(a) Contingencies *(continued)*

(2) The Company underwent restructuring and reorganisation during the period from 1996 and 1998. As a result of the restructuring and reorganisation, the Company and another insurance company were spun off from the predecessor company, the People's Insurance Company of China, and each spun-off entity inherited certain assets and liabilities. During the process, the Company owed certain amounts to that insurance company and settled these debts by cash payments, assets or by certain offsetting arrangements. Due to the long history and turnover of staff, the Company is not able to reach an agreement with that insurance company regarding the balances of debts that have been repaid in the form of assets or offsetting. Potentially, certain receivables or payables may exist between these two entities. However, the Company's management is of the opinion that the debts have been fully repaid, and therefore any contingent indebtedness will not significantly impact these consolidated financial statements.

(3) As at the report date, there were various title defects for certain investment properties, property and equipment, prepaid land premiums and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Due to historical reasons, the Group owned a large number of branches and subsidiaries. Although these branches or subsidiaries may have been closed or liquidated, the Group may still have exposures to any non-compliance committed by these branches or subsidiaries.

Other than the above, as at the end of 2015, the Group had no significant contingencies to disclose.

(b) Capital commitments and operating leases

(1) Capital commitments

	31 December 2015	31 December 2014
Property and equipment commitments:		
Contracted, but not provided for	**2,466**	1,434

(Amounts in millions of Renminbi, unless otherwise stated)

46. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases *(continued)*

(2) Investment commitments

On 28 December 2015, a major subsidiary of the Company entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to the major subsidiary of the Company 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank Co., Limited ("Hua Xia Bank"), respectively, held by them (amounting to a total of 2,136,045,885 shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and the major subsidiary of the Company conditionally agreed to purchase these shares. Based on the said share transfer agreement, the total considerations of such transaction is estimated at between RMB23.0 billion to RMB25.7 billion by the major subsidiary of the Company and will be paid in cash. Also, pursuant to relevant regulatory requirements, there will be a 5-year lock-up period for these shares once the transaction is completed. At the date of approving of these consolidated financial statements, such transaction is still subject to regulatory approval, among others.

(3) Operating leases

(i) As lessor

The Group leases its investment properties (note 27) under operating lease arrangements, with lease terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of 2015 and 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2015	31 December 2014
Within one year	**305**	192
In the second to fifth years, inclusive	**446**	237
After five years	**81**	111
TOTAL	**832**	540

(Amounts in millions of Renminbi, unless otherwise stated)

46. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases *(continued)*

(3) Operating leases (continued)

(ii) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to ten years.

Future minimum lease payments under non-cancellable operating leases as at the end of 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Within one year	**463**	287
In the second to fifth years, inclusive	**920**	748
After five years	**271**	231
TOTAL	**1,654**	1,266

47. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is MOF. The consolidated financial statements include the financial statements of the Company and its subsidiaries. Please refer to note 25 for more details of the Company's major subsidiaries.

(b) During the year, the Group had the following significant related party transactions:

	2015	2014
Transactions with associates:		
Gross written premiums		
Industrial Bank	**718**	928
China Credit Trust	**–**	26
Interest income		
Industrial Bank	**177**	202
Management fees expenses		
China Credit Trust	**300**	580
Net claims and policyholders' benefits		
Industrial Bank	**579**	205
Finance costs		
Industrial Bank	**53**	55
Dividend received		
Industrial Bank	**1,182**	952
China Credit Trust	**129**	146

Other transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(Amounts in millions of Renminbi, unless otherwise stated)

47. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel

Key management personnel of the Company include Chairman, Vice Chairman, Executive Directors, Supervisors and Senior Management. The summary of compensation of key management personnel for 2015 and 2014 is as follows:

	2015 (in RMB'000)	2014 (in RMB'000)
Short-term employee benefits	**9,300**	10,332
Other long-term benefits	**–**	15,145
Post-employment benefits	**2,209**	3,938
Total compensation paid to key management personnel	**11,509**	29,415

Further details of directors and supervisors' emoluments are included in note 12 to the consolidated financial statements.

(d) Balances with related parties

Receivables from associates	**31 December 2015**	31 December 2014
Cash and cash equivalents		
Industrial Bank	**376**	5,369
Debt securities		
Industrial Bank	**3,115**	3,115
Equity securities		
Industrial Bank	**460**	427
A trust scheme		
China Credit Trust	**10,361**	20,300
Term deposits		
Industrial Bank	**700**	814
Other assets		
China Credit Trust	**–**	294
Industrial Bank	**146**	202
TOTAL	**15,158**	30,521

(Amounts in millions of Renminbi, unless otherwise stated)

47. RELATED PARTY DISCLOSURES *(continued)*

(d) Balances with related parties *(continued)*

Receivables from a major shareholder	31 December 2015	31 December 2014
Other assets		
MOF	344	344

A trust scheme of RMB10,361 million (31 December 2014: RMB20,300 million) is controlled by China Credit Trust.

Payables to associates	31 December 2015	31 December 2014
Subordinated debts		
Industrial Bank	2,411	2,405
Other liabilities		
Industrial Bank	51	51
TOTAL	2,462	2,456

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

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2015	31 December 2014
ASSETS		
Cash and cash equivalents	7,323	3,796
Debt securities	519	2,035
Equity securities and mutual funds	7,248	5,175
Term deposits	124	548
Investments classified as loans and receivables	2,346	1,766
Investments in subsidiaries	81,318	81,088
Investments in associates	4,681	4,259
Investment properties	1,191	1,141
Property and equipment	184	190
Intangible assets	25	30
Prepaid land premiums	69	71
Other assets	711	3,450
TOTAL ASSETS	105,739	103,549
LIABILITIES		
Securities sold under agreement to repurchase	60	345
Subordinated debts	15,973	15,963
Pension benefit obligation	2,990	2,862
Other liabilities	1,346	1,596
TOTAL LIABILITIES	20,369	20,766
EQUITY		
Share capital	42,424	42,424
Reserves	42,946	40,359
TOTAL EQUITY	85,370	82,783
TOTAL EQUITY AND LIABILITIES	105,739	103,549

(Amounts in millions of Renminbi, unless otherwise stated)

49. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

2015

	Share capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve fund*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Total equity
Balance at 1 January 2015	42,424	19,925	1,063	802	11,672	–	6,897	82,783
Profit for the year	–	–	–	–	–	–	2,987	2,987
Other comprehensive income/(expense)	–	–	274	–	–	(693)	421	2
Total comprehensive income	–	–	274	–	–	(693)	3,408	2,989
Appropriations to surplus reserve fund	–	–	–	299	–	–	(299)	–
Dividends paid to shareholders	–	–	–	–	–	–	(402)	(402)
Balance at 31 December 2015	42,424	19,925	1,337	1,101	11,672	(693)	9,604	85,370

2014

	Share capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve fund*	Other reserves	Retained profits	Total equity
Balance at 1 January 2014	42,424	19,925	271	579	11,672	5,625	80,496
Profit for the year	–	–	–	–	–	2,231	2,231
Other comprehensive income/(expense)	–	–	792	–	–	(384)	408
Total comprehensive income	–	–	792	–	–	1,847	2,639
Appropriations to surplus reserve fund	–	–	–	223	–	(223)	–
Dividends paid to shareholders	–	–	–	–	–	(352)	(352)
Balance at 31 December 2014	42,424	19,925	1,063	802	11,672	6,897	82,783

* This reserve contains both statutory and discretionary surplus reserves.

50. EVENT AFTER THE REPORTING PERIOD

(a) On 27 March 2016, the Board of Directors of the Company proposed a final dividend of RMB2.26005 cent per ordinary share and is subject to the approval of shareholders' general meeting of the Company.

(b) Currently, business taxes are imposed on the Group mainly for premiums arising from certain insurance contracts and investment income. In March 2016, MOF of the PRC announced that, commencing from 1 May 2016, income of financial service sectors 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 Group is currently assessing the impact of these changes to its financial results and operations.

(c) CIRC issued a new regulation on 7 March 2016 to tighten its controls over mid-term and short-term life insurance policies. This new regulation defines mid-term and short-term products as those have de-facto terms of less than 5 years and impose scale limits on different types of these mid-term or short term products sold by an insurance company in a particular financial year. It also replaces a previous similar regulation which governs the scale limits of high cash value products sold by life insurance companies. Mid-term and short term life insurance policies are widely distributed in the market and the Group is also a distributor of the these products. The Group is still assessing impacts of this new regulation including assessments of de-facto terms of various products.

51. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Company on 27 March 2016.

Corporate Information

REGISTERED NAME

Chinese name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

English name: THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

Abbreviation of English name: PICC Group

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District,
Beijing 100052, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

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

WEBSITE

http://www.picc.com

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

INFORMATION INQUIRY DEPARTMENT

Secretariat of the Board
Tel: (8610) 6261 2533
Fax: (8610) 6262 4880
Email: ir_group@picc.com.cn

AUDITORS

International Auditors:
Deloitte Touche Tohmatsu

Domestic Auditors:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Limited Beijing Branch

LEGAL ADVISORS

as to Hong Kong law
Davis Polk & Wardwell

as to PRC law
King & Wood Mallesons

中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED