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

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

(Stock Code: 2328)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Board of Directors is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2016, with comparative figures for last year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 <u>RMB million</u>	2015 <u>RMB million</u>
GROSS WRITTEN PREMIUMS	5	311,160	281,698
Net earned premiums	5	270,261	244,567
Net claims incurred	6	(171,759)	(153,419)
Net policy acquisition costs	7	(62,954)	(54,255)
Other underwriting expenses		(23,147)	(20,775)
Administrative expenses		(7,377)	(7,514)
UNDERWRITING PROFIT		5,024	8,604
Investment income	8	15,073	14,268
Net realised and unrealised gains on investments	9	922	6,562
Investment related expenses		(637)	(645)
Interest expenses credited to policyholders' deposits		(2)	(3)
Exchange gains, net		422	351
Sundry income		369	404
Sundry expenses		(457)	(173)
Finance costs		(1,208)	(1,638)
Share of profits of associates		2,945	473
PROFIT BEFORE TAX	10	22,451	28,203
Income tax expense	11	(4,430)	(6,356)
PROFIT FOR THE YEAR		18,021	21,847
Profit attributable to			
– owners of the parent		18,020	21,847
– non-controlling interests		1	–
		18,021	21,847
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	12	1.215	1.473

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
PROFIT FOR THE YEAR	18,021	21,847
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value (losses)/gains	(4,368)	12,480
– Reclassification of losses/(gains) to profit or loss on disposals	69	(5,981)
– Impairment losses	98	–
Income tax effect	1,050	(1,625)
	(3,151)	4,874
Net losses on cash flow hedges	(5)	(5)
Income tax effect	1	1
	(4)	(4)
Share of other comprehensive (expense)/income of associates	(203)	298
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(3,358)	5,168
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	275	217
Income tax effect	(69)	(54)
	206	163
Share of other comprehensive income of associates	–	2
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	206	165
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	(3,152)	5,333
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,869	27,180
Total comprehensive income attributable to		
– owners of the parent	14,868	27,180
– non-controlling interests	1	–
	14,869	27,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		31 December 2016	31 December 2015
	<i>Notes</i>	<i>RMB million</i>	<i>RMB million</i>
ASSETS			
Cash and cash equivalents		25,144	22,828
Derivative financial assets		3	8
Debt securities		110,645	107,404
Equity securities and mutual funds		67,038	68,714
Insurance receivables, net	14	30,479	19,317
Reinsurance assets		30,707	26,426
Term deposits		68,286	98,663
Investments classified as loans and receivables		63,855	30,052
Prepayments and other assets		15,805	16,180
Investments in associates	15	37,045	8,584
Investment properties		4,902	4,783
Property, plant and equipment		14,977	14,110
Prepaid land premiums		3,185	3,351
Deferred tax assets		3,878	–
TOTAL ASSETS		475,949	420,420
LIABILITIES			
Payables to reinsurers	16	16,443	9,141
Accrued insurance protection fund		834	741
Securities sold under agreements to repurchase		21,030	23,688
Income tax payable		2,680	2,943
Other liabilities and accruals		48,115	39,107
Insurance contract liabilities	17	242,093	217,288
Policyholders' deposits		2,330	2,226
Bonds payable		23,112	16,297
Deferred tax liabilities		–	38
TOTAL LIABILITIES		356,637	311,469
EQUITY			
Issued capital		14,828	14,828
Reserves		104,478	94,118
Equity attributable to owners of the parent		119,306	108,946
Non-controlling interests		6	5
TOTAL EQUITY		119,312	108,951
TOTAL EQUITY AND LIABILITIES		475,949	420,420

Notes:

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC. The Company is listed on The Stock Exchange of Hong Kong Limited.

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

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

2. BASIS OF PREPARATION

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

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

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

3. APPLICATIONS OF NEW AND AMENDMENTS TO HKFRSs

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

Except as described below, the application of the above amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 – Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In the past, share of items of other comprehensive income (“OCI”) arising from associates were grouped by nature into OCI of the Group.

Commencing from 1 January 2016, share of OCI from associates accounted for using the equity method, in aggregate, are separated into two items for OCI that:

- will not be reclassified subsequently to profit or loss; and
- will be reclassified subsequently to profit or loss when specific conditions are met.

As a result of these changes, certain items of OCI, which amounted to RMB298 million for the year ended 31 December 2015, in the consolidated statement of comprehensive income were singled out and reclassified to conform to these new requirements. A reserve with an opening balance of RMB379 million (1 January 2015: RMB79 million) attributable to the parent is also separately established as at 1 January 2016 to record the cumulative share of OCI arising from associates in the consolidated statement of changes in equity. The opening balance attributable to the parent of asset revaluation reserve excluded amounts arising from associates and was reduced by RMB29 million (1 January 2015: RMB27 million). The opening balance attributable to the parent of available-for-sale investment revaluation reserve excluded amounts arising from associates and was reduced by RMB350 million (1 January 2015: RMB51 million). The opening balance attributable to the parent of cash flow hedging reserve excluded amounts arising from associates and was reduced by RMB1 million as at 1 January 2015. The Group has applied these changes retrospectively.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the president's office for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on their products and services and has eight operating and reportable segments as follows:

- (a) the motor vehicle segment provides insurance products covering motor vehicles;
- (b) the commercial property segment provides insurance products covering commercial properties;
- (c) the cargo segment provides insurance products covering vessels, crafts or conveyances;
- (d) the liability segment provides insurance products covering policyholders' liabilities;
- (e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;
- (f) the agriculture segment provides insurance products covering agriculture business;

- (g) the others segment mainly represents insurance products related to homeowners, special risks, marine hull, construction and credit; and
- (h) the corporate segment includes the income and expenses from investment activities, share of results of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

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

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

Geographical information is not presented as all of the Group's customers, operations and assets and liabilities are located in the PRC based on the operation of the relevant entities. No inter-segment transactions occurred in 2016 and 2015.

In 2016 and 2015, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

The segment income statements for the years ended 31 December 2016 and 2015 are as follows:

2016	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Gross written premiums	225,640	12,321	2,977	13,703	23,432	19,535	13,552	-	311,160
Net earned premiums	209,667	7,527	2,161	9,572	19,833	14,428	7,073	-	270,261
Net claims incurred	(124,718)	(5,741)	(1,149)	(5,767)	(17,649)	(11,233)	(5,502)	-	(171,759)
Net policy acquisition costs	(55,387)	(2,717)	(407)	(2,049)	(1,351)	196	(1,239)	-	(62,954)
Other underwriting expenses	(17,282)	(501)	(247)	(888)	(780)	(2,407)	(1,042)	-	(23,147)
Administrative expenses	(5,255)	(324)	(131)	(340)	(351)	(602)	(374)	-	(7,377)
Underwriting profit/(loss)	7,025	(1,756)	227	528	(298)	382	(1,084)	-	5,024
Investment income	-	-	-	-	-	-	-	15,073	15,073
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	922	922
Investment related expenses	-	-	-	-	-	-	-	(637)	(637)
Interest expenses credited to policyholders' deposits	-	-	-	-	-	-	(2)	-	(2)
Exchange gains, net	-	-	-	-	-	-	-	422	422
Finance costs	-	-	-	-	-	-	-	(1,208)	(1,208)
Sundry income and expenses, net	-	-	-	-	-	-	-	(88)	(88)
Share of profits of associates	-	-	-	-	-	-	-	2,945	2,945
Profit/(loss) before tax	7,025	(1,756)	227	528	(298)	382	(1,086)	17,429	22,451
Income tax expense	-	-	-	-	-	-	-	(4,430)	(4,430)
Profit/(loss) for the year – segment results	7,025	(1,756)	227	528	(298)	382	(1,086)	12,999	18,021

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

The segment assets, liabilities and other segment information of the Group as at 31 December 2016 and 2015 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
31 December 2016									
Segment assets	<u>13,517</u>	<u>11,754</u>	<u>1,410</u>	<u>6,064</u>	<u>6,240</u>	<u>6,465</u>	<u>18,471</u>	<u>412,028</u>	<u>475,949</u>
Segment liabilities	<u>190,900</u>	<u>19,216</u>	<u>3,158</u>	<u>17,344</u>	<u>15,556</u>	<u>12,865</u>	<u>24,927</u>	<u>72,671</u>	<u>356,637</u>
Other segment information:									
Depreciation and amortisation	1,406	75	19	85	146	121	82	–	1,934
Impairment losses on insurance receivables, prepayments and other assets	6	51	31	64	78	58	135	–	423
Interest income	–	–	–	–	–	–	–	12,351	12,351
	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
31 December 2015									
Segment assets	<u>9,913</u>	<u>8,483</u>	<u>1,340</u>	<u>4,422</u>	<u>4,500</u>	<u>5,881</u>	<u>14,084</u>	<u>371,797</u>	<u>420,420</u>
Segment liabilities	<u>171,110</u>	<u>15,214</u>	<u>2,993</u>	<u>13,756</u>	<u>11,960</u>	<u>11,282</u>	<u>20,002</u>	<u>65,152</u>	<u>311,469</u>
Other segment information:									
Depreciation and amortisation	1,478	91	23	84	134	136	87	–	2,033
Impairment losses on insurance receivables, prepayments and other assets	48	213	28	118	51	82	145	–	685
Interest income	–	–	–	–	–	–	–	12,425	12,425

5. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
<u>Gross written premiums</u>		
Direct written premiums	310,453	281,010
Reinsurance premiums assumed	707	688
	<u>311,160</u>	<u>281,698</u>
<u>Net earned premiums</u>		
Gross written premiums	311,160	281,698
Less: Reinsurance premiums ceded	(30,386)	(29,569)
	<u>280,774</u>	<u>252,129</u>
Gross change in unearned premium reserves	(11,360)	(7,277)
Less: Reinsurer's share of change in unearned premium reserves	847	(285)
	<u>(10,513)</u>	<u>(7,562)</u>
Net change in unearned premium reserves	(10,513)	(7,562)
Net earned premiums	<u>270,261</u>	<u>244,567</u>

6. NET CLAIMS INCURRED

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Gross claims paid	180,496	160,981
Less: Paid losses recoverable from reinsurers	(18,748)	(18,406)
	<u>161,748</u>	<u>142,575</u>
Gross change in loss and loss adjustment expense reserves	13,445	11,874
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	(3,434)	(1,030)
	<u>10,011</u>	<u>10,844</u>
Net change in loss and loss adjustment expense reserves	10,011	10,844
Net claims incurred	<u>171,759</u>	<u>153,419</u>

7. NET POLICY ACQUISITION COSTS

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Commission expenses	46,557	31,523
Less: Reinsurance commission income	(9,559)	(9,012)
Underwriting personnel expenses	16,288	15,032
Business tax and other surcharges	6,208	13,682
Insurance protection fund	2,398	2,181
Others	1,062	849
	<u>62,954</u>	<u>54,255</u>

8. INVESTMENT INCOME

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Operating lease income from investment properties	<u>256</u>	<u>209</u>
Interest income from:		
Current and term deposits	4,921	5,793
Debt securities		
– Held-to-maturity	2,101	2,131
– Available-for-sale	2,822	2,897
– Held-for-trading	55	40
Derivative financial instruments	118	14
Investments classified as loans and receivables	2,334	1,550
Subtotal	<u>12,351</u>	<u>12,425</u>
Dividend income from equity securities and mutual funds:		
– Available-for-sale	2,151	1,484
– Held-for-trading	315	150
Subtotal	<u>2,466</u>	<u>1,634</u>
Total	<u>15,073</u>	<u>14,268</u>

9. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Realised gains from:		
Debt securities		
– Available-for-sale	285	110
– Held-for-trading	13	12
Equity securities and mutual funds		
– Available-for-sale	(354)	5,871
– Held-for-trading	223	350
Derivative financial instrument	1,009	–
	<u>1,176</u>	<u>6,343</u>
Unrealised (losses)/gains from:		
Debt securities classified as held-for-trading	(23)	10
Equity securities and mutual funds classified as held-for-trading	(271)	64
Derivative financial instruments	(10)	–
	<u>(304)</u>	<u>74</u>
Fair value gains on investment properties	148	145
Impairment losses on equity securities and mutual funds classified as available-for-sale	(98)	–
	<u>922</u>	<u>6,562</u>

The realised gain of a derivative financial instrument arose from an agreement to purchase interests in equity instrument at a price predetermined by a formula agreed by the Group and the third parties. The amount represents the difference between the final consideration paid by the Group and the fair value of this equity instrument when the transaction was completed.

10. PROFIT BEFORE TAX

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

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Depreciation of property, plant and equipment	1,573	1,697
Amortisation of prepaid land premiums	147	156
Employee expenses (including directors', supervisors' and senior management's remuneration)		
– Salaries, allowances and performance related bonuses	26,661	25,091
– Pension scheme contributions	2,651	2,630
Impairment losses on insurance receivables	387	320
Impairment losses on prepayments and other assets	36	365
Minimum lease payments under operating leases in respect of land and buildings	808	768
Net gains on disposal of items of property, plant and equipment	(121)	(86)
Auditors' remuneration	15	14
	<u> </u>	<u> </u>

11. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2015: 25%) in accordance with the relevant PRC income tax rules and regulations.

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Current		
– Charge for the year	7,327	8,521
– Adjustments in respect of current tax of prior years	37	6
Deferred	(2,934)	(2,171)
	<u> </u>	<u> </u>
Total tax charge for the year	<u>4,430</u>	<u>6,356</u>

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

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<u>22,451</u>	<u>28,203</u>
Tax at the statutory tax rate of 25% (2015: 25%)	5,613	7,051
Income not subject to tax	(1,552)	(831)
Expenses not deductible for tax	332	130
Adjustments in respect of current tax of prior years	<u>37</u>	<u>6</u>
Tax charge at the Group's effective tax rate	<u>4,430</u>	<u>6,356</u>

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

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

	<u>2016</u>	<u>2015</u>
Earnings:		
Profit attributable to owners of the parent (RMB million)	<u>18,020</u>	<u>21,847</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>14,828</u>	<u>14,828</u>
Basic earnings per share (RMB)	<u>1.215</u>	<u>1.473</u>

Basic earnings per share was calculated as the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue. Diluted earnings per share amounts for the years ended 31 December 2016 and 2015 have not been disclosed as there were no potential ordinary shares outstanding during these years.

13. DIVIDEND

	<u>2016</u>	<u>2015</u>
	<i>RMB million</i>	<i>RMB million</i>
Dividends recognised as distribution during the year:		
2015 final dividend – RMB0.304 per ordinary share	4,508	–
2014 final dividend – RMB0.270 per ordinary share	<u>–</u>	<u>4,004</u>

No interim dividend was proposed by the Board of Directors in 2016 and 2015.

Pursuant to the shareholders' approval at the general meeting on 24 June 2016, a final dividend of RMB0.304 per ordinary share totalling RMB4,508 million in respect of the year ended 31 December 2015 was declared.

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

14. INSURANCE RECEIVABLES, NET

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Premiums receivable and agents' balances	13,786	9,823
Receivables from reinsurers	19,911	12,366
	<u>33,697</u>	<u>22,189</u>
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(2,960)	(2,684)
– Receivables from reinsurers	(258)	(188)
	<u>30,479</u>	<u>19,317</u>

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

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Not yet due	18,827	14,609
Within 1 month	2,496	893
1 to 3 months	3,770	1,691
3 to 6 months	3,594	793
6 to 12 months	1,472	1,079
1 to 2 years	208	163
Over 2 years	112	89
	<u>30,479</u>	<u>19,317</u>

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

	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
At 1 January	2,872	2,690
Impairment losses recognised (<i>note 10</i>)	387	320
Amount written off as uncollectible	(41)	(138)
At 31 December	<u>3,218</u>	<u>2,872</u>

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB117 million (31 December 2015: RMB100 million).

15. INVESTMENTS IN ASSOCIATES

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Cost of investments in associates	36,053	7,463
Share of post-acquisition profit and other comprehensive income, net of dividend received	992	1,121
	37,045	8,584

Except for Hua Xia Bank, all the associates are private companies or structured entities, and there are no quoted market prices available for these shares. Hua Xia Bank is listed on the Shanghai Stock Exchange and the fair value of the Group's interests in Hua Xia Bank as at 31 December 2016 was RMB23,176 million.

Particulars of material associates as at 31 December 2016 and 2015 are as follows:

Name	Place of registration and operations	Proportion of ownership interest and voting right as at 31 December		Principal activities
		2016	2015	
PICC Life	Beijing	8.615%	8.615%	Provision of life insurance products
China Aerospace Investment Holdings Limited	Beijing	16.835%	16.835%	Investment holding
Sinopec Marketing Project Equity Investment Plan	Shanghai	29.399%	29.399%	Equity investment
Hua Xia Bank	Beijing	19.990%	–	Commercial banking
PICC Health	Beijing	24.726%	–	Provision of health insurance products

Management has assessed the level of influence that the Group has on certain associates, with a total carrying amount of RMB31,411 million as at 31 December 2016 (2015: RMB5,393 million), and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation or other arrangements made. Consequently, these investments have been classified as associates.

On 17 November 2016, the Group completed its acquisition of 19.99% of the total issued ordinary shares of Hua Xia Bank and recognised the excess of the Group's share of the net fair value of the identifiable assets and liabilities of Hua Xia Bank over the cost of the investment of RMB2,636 million, which is provisional, as income in the Group's share of profits of associates for the current year.

16. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Reinsurance payables	16,443	9,141

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB131 million (31 December 2015: RMB110 million).

17. INSURANCE CONTRACT LIABILITIES

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	114,275	102,915
Loss and loss adjustment expense reserves	127,818	114,373
	242,093	217,288

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

	2016			2015		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves						
At 1 January	102,915	(9,307)	93,608	95,638	(9,592)	86,046
Increase during the year	238,846	(20,726)	218,120	218,092	(20,501)	197,591
Release during the year	(227,486)	19,879	(207,607)	(210,815)	20,786	(190,029)
At 31 December	114,275	(10,154)	104,121	102,915	(9,307)	93,608
Loss and loss adjustment expense reserves						
At 1 January	114,373	(17,119)	97,254	102,499	(16,089)	86,410
Increase during the year	193,926	(22,183)	171,743	172,855	(19,436)	153,419
Release during the year	(180,481)	18,749	(161,732)	(160,981)	18,406	(142,575)
At 31 December	127,818	(20,553)	107,265	114,373	(17,119)	97,254
Total insurance contract liabilities	242,093	(30,707)	211,386	217,288	(26,426)	190,862

DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In 2016, the construction of modernisation of the country's governance system and governance capability was accelerated, the new economy such as internet+ and cloud computing developed prosperously, the economic structure was continuously improved, transformation of traditional production capacity and deepening of supply-side structural reform coexisted, and the Company faced the dual challenges of upgrading traditional insurance supply and innovating insurance demands. In 2016, the Company closely followed the annual target, overcame the great pressure from the downward trend of macro-economy and the continued bleakness of the capital market, confronted the challenge of severe market competition, effectively addressed the crucial test from deregulation of premium rate of commercial motor vehicle insurance and taxation system adjustment of "replacing business tax with value-added tax", and achieved a recovery of market share for the first time since its shareholding reform and listing as well as a business growth rate exceeding that of the market; the Company's profitability surpassed that of the market, the leading edge was extended continuously, and both the development and profitability of the Company presented a good momentum.

Recovery of market share for the first time with business growth rate exceeding that of the market.

In 2016, the Company and its subsidiaries implemented proactive sales policy, effectively addressed the changes brought by the taxation system adjustment of "replacing business tax with value-added tax", achieved gross written premiums of RMB311,160 million, representing a year-on-year increase of 10.5%. The Company was the first property and casualty insurance company in China to have achieved an annual premium income of over RMB300 billion with both the gross premiums and the incremental premiums maintaining No.1 ranking in the market. The Company's market share was 33.5% (*Note*) in the property and casualty insurance market of the PRC, rising by 0.1 percentage point year-on-year, marking the recovery of market share for the first time since the Company's shareholding reform and listing. Gross written premiums of the motor vehicle insurance segment amounted to RMB225,640 million, representing a year-on-year increase of 10.5%, surpassing the growth rate of the market for the first time since its shareholding reform and listing; gross written premiums of the non-motor vehicle insurance business amounted to RMB85,520 million, representing a year-on-year increase of 10.4%.

Note: Calculated based on the PRC insurance industry data for 2016 published on the website of the CIRC.

Profitability surpassed that of the market, and leading edge continuously extended.

In 2016, the market competition became more severe with the deregulation of premium rate of commercial motor vehicle insurance, the severity caused by various natural disasters rose dramatically, the capital market remained sluggish, and the combined ratio of the Company and its subsidiaries was 98.1%, representing a year-on-year increase of 1.6 percentage points and outperforming that of the market; underwriting profit was RMB5,024 million, representing a year-on-year increase in terms of market share of underwriting profit; total investment income reached RMB18,940 million; profit for the year was RMB18,021 million, representing a year-on-year decrease of 17.5%; the return on equity ratio was 15.8%, maintaining the industry leading position.

Stable financial positions, steady enhancement of comprehensive strengths. As at the end of 2016, the total assets of the Company and its subsidiaries reached RMB475,949 million, representing a year-on-year increase of 13.2%. The total equity was RMB119,312 million, representing a year-on-year increase of 9.5%. The total amount of investment assets grew steadily, reaching RMB379,976 million. With the official implementation of C-ROSS, the Company's core solvency margin ratio reached 232%, and the comprehensive solvency margin ratio was 287%, much higher than the level achieved under the previous solvency regulation. In the C-ROSS risk management capability assessment carried out by the CIRC, the score achieved by the Company ranked No.1 across the property and casualty insurance industry. Attributable to the outstanding industry position and continuously increasing comprehensive strengths of the Company, the rating granted by Moody's Investors Service to the Company (Aa3) in terms of insurance financial strength is the highest level in Mainland China.

Fulfilment of corporate social responsibility, greater prominence of brand image. In 2016, the insured amount underwritten by the Company and its subsidiaries was RMB291 trillion in aggregate; the Company and its subsidiaries processed 29.69 million claims of all types and paid aggregate claims of RMB159.9 billion in total. The Company dealt with natural catastrophes such as Typhoons Meranti and Megi and the collapse of the cooling tower of Jiangxi Fengcheng Power Plant and such other severe disasters and accidents proactively and properly, which received high recognition from local governments and the vast range of customers. Through speeding up the construction of various customer service platforms such as mobile internet, integrated service counter and customer club, enhancing its claim settlement service and strengthening the handling of customer complaints, the Company continuously improved customer experience and steadily increased customer satisfaction. In 2016, the Company was awarded a number of honours including "Outstanding Chinese Enterprise in Social Responsibility" and "Best Listed Company", and maintained the No.1 ranking for the eighth consecutive year in terms of competitiveness among the Asian property and casualty insurance companies.

(I) Strengthening market benchmarking and implementing proactive market strategies to gain development initiatives

In terms of the development of the motor vehicle insurance business, the Company proactively built up a large scope motor vehicle insurance framework, comprehended accurately the inherent rule embedded in the deregulation of premium rate of commercial motor vehicle insurance, strengthened and updated the channel cooperation mode, improved the efficiency of differentiated allocation of resources, developed strategically the insurance market of middle to high end new automobiles, improved mechanism for coordination among the Company, PICC Life and PICC Health and strengthened management of the sales process, all of which contributed to a strong support for the historical rebound of the market share of the Company. **In terms of the commercial non-motor vehicle insurance business,** whilst endeavouring to deeply serve the national governance modernisation, the Company achieved a substantial development of the environmental pollution liability insurance, catastrophe insurance, the liability insurance for the preservation of

properties under lawsuit and such other insurance products relating to the livelihood governance. The Company actively served the economic new normal and the national strategies of “the Belt and Road Initiatives” and the “Made-in-China 2025” plan and its individual credit loan surety insurance business and the insurance for the first set of major technical equipment grew tremendously. The Company leveraged the opportunities presented in the demand for internet insurance and achieved a rapid growth in innovative and diversified business such as returned goods freight insurance, delayed voyage insurance and extended warranty liability insurance for motor vehicles. **In terms of the business with the State’s financial support**, in response to the State’s “agriculture, rural areas and farmers” development strategy, the Company vigorously developed innovative agriculture insurance such as insurance for the price of agricultural products and weather index, maintaining its leading position in the agriculture insurance business market. The Company vigorously answered the central government’s call for the campaign to alleviate poverty and implemented pilot projects to develop poverty alleviation insurance and financing-for-agriculture business and promoted successful models for a wider application. The Company achieved effective results in carrying out the policy of “directing financial resources to combating poverty with insurance to play a key role”. To leverage the opportunities of the “Healthy China” strategy, the Company developed its business to proactively serve the construction of a multi-facet social medical insurance system and gradually formed an integrated development structure, facilitating a rapid development of the social medical insurance business.

(II) Strengthening the construction of the basic level of the Company and enhancing sales efficiency through operation innovation

The Company continued to increase resources allocation in favour of the basic level of the Company by promoting the restructuring of the working environment, deepening the reform of the remuneration system for the basic level employees, improving the trainings for the basic level leaders and employees and expanding the front line sales workforce with a significant increase in the proportion of the basic level sales personnel. The Company strengthened the construction of the basic level sales capabilities with a tilting of sales resources allocation towards the basic level, and moderately increased the business management approval authority and business operation autonomy at the basic level. The Company established and promoted county-level best practices, steadily formulated the differentiated business development models at county level, vigorously developed county-level sales channels, actively established e-commerce teams and promoted the construction of county-level sales channels on all fronts. The Company also strengthened the promotion of its brand at the county level, upgraded the models for underwriting, policy issuance and claim settlement, steadily promoted the construction of the support platforms for the county-level business, and all these measures brought initial good results.

(III) Furthering the implementation of the cost leadership strategy and enhancing the value creation capability through refined management

The Company made efforts to further the implementation of the cost leadership strategy, enable the accurate allocation of resources, implement the interlinked adjustments of the expense rate budget and business quality, continuously optimise the expense structure, strictly control management expenses, upgrade management tools, optimise core processes, carry out the trial operation of electronic policies, electronic invoices and underwriting files electronicisation, speed up the construction of low-cost channels, improve the resources allocation efficiency, focus on the development of quality business, implement the lean claims project, further the construction of such sectors as auto parts, working hours, claim adjustment, human injury claims, non-motor vehicle insurance claims, and inspection and claim recovery for loss prevention, increase disaster and loss prevention and control efforts and enhance the value creation capability through refined management.

(IV) Improving the comprehensive risk management system and continuing to enhance risk management capabilities

The Company made efforts to fully satisfy regulatory requirements, standardise business activities, enhance compliance management according to law, achieve the promotions of both compliance and development, improve the solvency risk management system and capital management structure, develop solvency emergency management guidelines, establish capital monitoring and emergency response mechanism, improve the solvency information compilation and disclosure system, continuously improve the risk management information system and rules and regulations, improve the risk management mechanism and technology, establish top-down risk preference, tolerance and limit system, build a key risk early warning system based on risk classification framework, and use the risk management information system to enhance the informationalisation level of risk management, achieving continuous strengthening of risk identification and prevention capabilities.

UNDERWRITING RESULTS

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

	Year ended 31 December			
	2016		2015	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Net earned premiums	270,261	100.0	244,567	100.0
Net claims incurred	(171,759)	(63.5)	(153,419)	(62.7)
Total expenses	(93,478)	(34.6)	(82,544)	(33.8)
Underwriting profit	5,024	1.9	8,604	3.5

GROSS WRITTEN PREMIUMS

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

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	225,640	204,266
Commercial property insurance	12,321	12,916
Accidental injury and health insurance	23,432	18,560
Liability insurance	13,703	11,558
Cargo insurance	2,977	3,225
Agriculture insurance	19,535	18,944
Other insurance	13,552	12,229
Total	311,160	281,698

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

	Year ended 31 December			
	2016		2015	
	Amount	Percentage	Amount	Percentage
	<i>RMB million</i>	%	<i>RMB million</i>	%
Insurance agents	206,904	66.7	162,617	57.9
Among which:				
Individual insurance agents	109,044	35.1	85,579	30.5
Ancillary insurance agents	56,681	18.3	52,749	18.8
Professional insurance agents	41,179	13.3	24,289	8.6
Direct sales	87,968	28.3	103,755	36.9
Insurance brokers	15,581	5.0	14,638	5.2
Total	310,453	100.0	281,010	100.0

Gross written premiums of the Company and its subsidiaries were RMB311,160 million in 2016, representing an increase of RMB29,462 million (or 10.5%) from RMB281,698 million in 2015. The overall steady business growth was largely driven by the development of the motor vehicle insurance, agriculture insurance, accidental injury and health insurance, liability insurance and credit and surety insurance business. Amongst these segments:

Gross written premiums of the motor vehicle insurance segment were RMB225,640 million, representing an increase of RMB21,374 million (or 10.5%) from RMB204,266 million in 2015. In 2016, the Company actively responded to the deregulation of premium rate of commercial motor vehicle insurance, continuously increased the efforts in marketing of product mix of motor vehicle insurance, as a result there was a further increase in the proportion of customers buying both compulsory and commercial motor vehicle insurance. In 2016, the Company upgraded the mechanism for cooperation with auto dealers and, as a consequence, both the number of new vehicles insured and the premium income from the new vehicles kept continuous growth. Meanwhile, the Company made an in-depth development of existing business resources, made efforts to realise the renewal and transferred-in of existing business, and the motor vehicle insurance business recorded stable growth.

Impacted by the deep adjustment of economic structure as “cutting overcapacity and increasing efficiency”, there was inadequate demand for commercial property insurance and the overall premium rate declined. In 2016, the comprehensive commercial property insurance business and the machinery damage insurance business of the Company, both with relatively high premium rates, declined. The gross written premiums of the commercial property insurance segment were RMB12,321 million, representing a decrease of RMB595 million (or -4.6%) from RMB12,916 million in 2015.

Gross written premiums of the accidental injury and health insurance segment were RMB23,432 million, representing an increase of RMB4,872 million (or 26.3%) from RMB18,560 million in 2015. In 2016, by seizing the policy opportunity, the Company consolidated the insurance renewal business, actively developed new markets, strengthened horizontal integration and development, deeply developed clients resources, further enhanced the sales ability at basic level, made great efforts to promote the application of new platforms such as sales through mobile, as a result of which the new business such as accidental insurance for drivers and passengers of motor vehicles developed rapidly, the traditional business such as accidental injury insurance for school students and young children and contractors accidental injury insurance grew steadily, and critical illness insurance, supplementary medical insurance for urban employees and new rural cooperative basic medical insurance contributed significantly to the incremental premiums.

Gross written premiums of the liability insurance segment were RMB13,703 million, representing an increase of RMB2,145 million (or 18.6%) from RMB11,558 million in 2015. In 2016, the State Council and the relevant ministries and commissions formulated and issued various policy documents successively, this provided powerful policy supports for expanding the coverage and enhancing the penetration of liability insurance. The traditional business such as employer liability insurance, medical liability insurance, public and product liability insurance showed sound development. At the same time, the Company actively developed innovative business, such as insurance for the first set of major technical equipment, liability insurance for the preservation of properties under lawsuit, insurance for the loss of freight on online shopping and extended warranty liability insurance for motor vehicle, all these brought new growth points to the Company’s liability insurance segment.

In 2016, China's economy entered into a new development normal, the economic structure was adjusted deeply, the atmosphere of import and export trade was depressed, the rail transport volume dropped, the sources of cargo insurance business shrank and the premium rate declined. Gross written premiums of the cargo insurance segment were RMB2,977 million, representing a decrease of RMB248 million (or -7.7%) from RMB3,225 million in 2015.

Gross written premiums of the agriculture insurance segment were RMB19,535 million in 2016, representing an increase of RMB591 million (or 3.1%) from RMB18,944 million in 2015. In 2016, the agriculture insurance market was further opened and the market competition was increasingly intense. The Company's agriculture insurance business growth slowed down, the main growth point of which centered on breeding insurance business, such as insurance for fattening pigs, insurance for reproductive sow and insurance for dairy cows. Some new business, such as aquaculture insurance and insurance for group breeding and aquaculture also developed well.

Gross written premiums of the other insurance segment were RMB13,552 million, representing an increase of RMB1,323 million (or 10.8%) from RMB12,229 million in 2015. In 2016, the Company's innovative household property insurance product and individual credit loan surety insurance segment achieved a relatively rapid growth, this drove household property insurance business and credit and surety insurance business to develop quickly.

NET EARNED PREMIUMS

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

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	209,667	190,067
Commercial property insurance	7,527	7,900
Accidental injury and health insurance	19,833	15,193
Liability insurance	9,572	8,386
Cargo insurance	2,161	2,350
Agriculture insurance	14,428	14,552
Other insurance	7,073	6,119
	<hr/>	<hr/>
Total	270,261	244,567
	<hr/> <hr/>	<hr/> <hr/>

Net earned premiums of the Company and its subsidiaries were RMB270,261 million in 2016, representing an increase of RMB25,694 million (or 10.5%) from RMB244,567 million in 2015.

NET CLAIMS INCURRED

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

	Year ended 31 December			
	2016		2015	
	Net claims incurred <i>RMB million</i>	Loss ratio %	Net claims incurred <i>RMB million</i>	Loss ratio %
Motor vehicle insurance	(124,718)	(59.5)	(115,085)	(60.5)
Commercial property insurance	(5,741)	(76.3)	(5,243)	(66.4)
Accidental injury and health insurance	(17,649)	(89.0)	(13,695)	(90.1)
Liability insurance	(5,767)	(60.2)	(4,857)	(57.9)
Cargo insurance	(1,149)	(53.2)	(1,155)	(49.1)
Agriculture insurance	(11,233)	(77.9)	(9,425)	(64.8)
Other insurance	(5,502)	(77.8)	(3,959)	(64.7)
Total	(171,759)	(63.5)	(153,419)	(62.7)

Net claims incurred of the Company and its subsidiaries in 2016 were RMB171,759 million, representing an increase of RMB18,340 million (or 12.0%) from RMB153,419 million in 2015. The loss ratio was 63.5% in 2016, increased by 0.8 percentage points from 62.7% in 2015. Amongst these segments:

Net claims incurred of the motor vehicle insurance segment were RMB124,718 million, representing an increase of RMB9,633 million (or 8.4%) from RMB115,085 million in 2015. The loss ratio decreased by 1.0 percentage point from 60.5% in 2015 to 59.5% in 2016. In 2016, the Company strengthened customer classification and risk control, and with respect to those profitable motor vehicle insurance, expanded the coverage and increased the proportion of customers buying both compulsory and commercial motor vehicle insurance. The Company also improved the efficiency in resources allocation and further optimised its business structure. After the deregulation of premium rate of commercial motor vehicle insurance, the percentage of customers with no record of reported claims increased, and the valid claim reports and frequency witnessed an obvious decrease. Meanwhile, the Company strengthened the refined management of claim settlement, and reinforced the control on property damage in motor vehicle insurance, personal injuries cost, inspection and claim recovery, etc.

In 2016, net claims incurred of the commercial property insurance segment were RMB5,741 million, representing an increase of RMB498 million (or 9.5%) from RMB5,243 million in 2015. The loss ratio increased by 9.9 percentage points from 66.4% in 2015 to 76.3% in 2016. In 2016, due to Typhoon Meranti, the tornado in Yancheng, Jiangsu Province and natural catastrophes such as rainstorms and floods across China, high-value claims of the commercial property insurance increased to some extent, and the loss ratio grew on a year-on-year basis.

In 2016, the Company strived to improve the underwriting conditions for the accidental injury and health insurance segment, strictly controlled underwriting quality, optimised its business structure and carried out and continuously enhanced risk adjustment and medical control. Net claims incurred of the accidental injury and health insurance segment were RMB17,649 million, representing an increase of RMB3,954 million (or 28.9%) from RMB13,695 million in 2015. The loss ratio decreased by 1.1 percentage points from 90.1% in 2015 to 89.0% in 2016.

Net claims incurred of the liability insurance segment were RMB5,767 million, representing an increase of RMB910 million (or 18.7%) from RMB4,857 million in 2015. The loss ratio increased by 2.3 percentage points from 57.9% in 2015 to 60.2% in 2016. The year 2016 faced an increase in the claim cost for human injuries of third party liability insurance. Specifically, employer's liability insurance, carrier's liability insurance and medical malpractice liability insurance had relatively high loss ratios.

Net claims incurred of the cargo insurance segment were RMB1,149 million, representing a decrease of RMB6 million (or -0.5%) from RMB1,155 million in 2015. The loss ratio increased by 4.1 percentage points from 49.1% in 2015 to 53.2% in 2016. The year 2016 faced an intense competition in the cargo insurance market, a continuous decline in premium rate and a rapid increase in the number of low-and medium-value cases settled in the cargo insurance segment, with the loss ratio growing relatively.

In 2016 when losses caused by cold wave, rainstorms, floods, typhoons, drought, wheat scab and other natural catastrophes increased sharply compared to the previous year, net claims incurred of the agriculture insurance segment were RMB11,233 million, representing an increase of RMB1,808 million (or 19.2%) from RMB9,425 million in 2015. The loss ratio increased by 13.1 percentage points from 64.8% in 2015 to 77.9% in 2016.

Net claims incurred of the other insurance segment were RMB5,502 million, representing an increase of RMB1,543 million (or 39.0%) from RMB3,959 million in 2015. The loss ratio increased by 13.1 percentage points from 64.7% in 2015 to 77.8% in 2016. Amongst this segment, the loss ratios of the engineering insurance, marine hull and credit and surety insurance increased as a result of major catastrophes and accidents as well as changes in the credit environment at home and abroad.

TOTAL EXPENSES

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

	Year ended 31 December			
	2016		2015	
	Total expenses <i>RMB million</i>	Expense ratio %	Total expenses <i>RMB million</i>	Expense ratio %
Motor vehicle insurance	(77,924)	(37.2)	(67,596)	(35.6)
Commercial property insurance	(3,542)	(47.1)	(3,358)	(42.5)
Accidental injury and health insurance	(2,482)	(12.5)	(2,560)	(16.8)
Liability insurance	(3,277)	(34.2)	(3,271)	(39.0)
Cargo insurance	(785)	(36.3)	(950)	(40.4)
Agriculture insurance	(2,813)	(19.5)	(2,680)	(18.4)
Other insurance	(2,655)	(37.5)	(2,129)	(34.8)
Total	(93,478)	(34.6)	(82,544)	(33.8)

Total expenses of the Company and its subsidiaries were RMB93,478 million in 2016, increased by RMB10,934 million (or 13.2%) from RMB82,544 million in 2015, with the expense ratio increasing by 0.8 percentage points from 33.8% in 2015 to 34.6% in 2016. In 2016, the Company implemented the comprehensive budget management and cost-leadership strategy, thoroughly advocated thrift practice among its headquarters and branches, strictly controlled and managed the administrative expenses, thereby significantly reducing the expenses relating to the use of motor vehicles, business-related entertainment, travel and conference as compared to the previous year, significantly improved its refined cost management and control capability, achieving administrative expenses of RMB7,377 million (representing a decrease of RMB137 million or 1.8% on a year-on-year basis) and an administrative expense ratio of 2.7% (representing a decrease of 0.4 percentage points on a year-on-year basis); in addition, the Company effectively responded to the deregulation of premium rate of commercial motor vehicle insurance, strengthened market benchmarking, implemented the proactive financial policies and precise marketing plans, adjusted the expense ratio budget based on business quality, and improved efficiency in resources allocation, thereby striving to improve its ability to obtain high-quality business and achieving an underwriting expense ratio of 31.9%, representing a year-on-year increase of 1.2 percentage points.

UNDERWRITING PROFIT

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

	Year ended 31 December			
	2016		2015	
	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %
Motor vehicle insurance	7,025	3.3	7,386	3.9
Commercial property insurance	(1,756)	(23.4)	(701)	(8.9)
Accidental injury and health insurance	(298)	(1.5)	(1,062)	(6.9)
Liability insurance	528	5.6	258	3.1
Cargo insurance	227	10.5	245	10.5
Agriculture insurance	382	2.6	2,447	16.8
Other insurance	(1,084)	(15.3)	31	0.5
Total	5,024	1.9	8,604	3.5

The Company and its subsidiaries recorded an underwriting profit of RMB5,024 million in 2016, representing a decrease of RMB3,580 million (or -41.6%) from RMB8,604 million in 2015; the underwriting profit ratio was 1.9%, representing a decrease of 1.6 percentage points as compared with 2015.

INVESTMENT RESULTS

Composition of Investment Assets

	31 December 2016		31 December 2015	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	25,144	6.6	22,828	6.6
Term deposits	68,286	18.0	98,663	28.7
Debt securities	110,645	29.1	107,404	31.2
Equity securities and mutual funds	67,038	17.6	68,714	20.0
Investments classified as				
loans and receivables	63,855	16.8	30,052	8.7
Investment properties	4,902	1.3	4,783	1.4
Investments in associates	37,045	9.8	8,584	2.5
Other investment assets (<i>Note</i>)	3,061	0.8	2,997	0.9
Total investment assets	379,976	100.0	344,025	100.0

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

In 2016, the Company achieved steady growth in the underwriting business, which provided stable cash flow support for the investment business. As at the end of the reporting period, the investment assets increased by RMB35,951 million (or 10.5%) on a year-on-year basis. In 2016, while enhancing the overall size of the investment assets, the Company timely adjusted its investment assets mix, improved the quality of its investment portfolio and achieved a balance between profit gaining and risk taking based on the conditions of the capital market as well as its own risk preferences.

In 2016, the Company proactively seized the operating opportunities in the market to timely adjust weighing of the equity investment positions; increased the allocations in financial products and infrastructure debt securities investment schemes and carefully allocated its investment to high credit rating and high-quality corporate bonds for the purpose of increasing both the channels for application of capital and the investment income and subject to rigorous risk control and repayment of principal and interest being secured.

As at 31 December 2016, the Company had investments in associates of RMB37,045 million, representing a year-on-year increase of RMB28,461 million. The Company completed its acquisitions of PICC Health and Hua Xia Bank at the respective prices of RMB2,500 million and RMB22,444 million in June and November 2016 respectively.

In 2016, the Company acquired 19.99% of the total issued shares of Hua Xia Bank. A derivative financial instrument arose from the transaction and at the date of acquisition, a realised gain of RMB1,009 million was recognised in the consolidated income statement. In addition, an excess of RMB2,636 million, which represented the share of fair value of identifiable net assets of Hua Xia Bank over the initial cost of the investment, was included as income in share of profits of associates in the consolidated income statement.

Investment Income

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Operating lease income from investment properties	256	209
Interest income	12,351	12,425
Dividend income	2,466	1,634
Total of investment income	15,073	14,268

Investment income of the Company and its subsidiaries was RMB15,073 million in 2016, representing an increase of RMB805 million (or 5.6%) from RMB14,268 million in 2015. With continuous increase and improvement in the level and mechanism for dividend distributions of listed companies in 2016, dividend income increased by RMB832 million (or 50.9%) on a year-on-year basis.

Net Realised and Unrealised Gains on Investments

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Realised gains on investments	1,176	6,343
Unrealised (losses)/gains on investments	(304)	74
Impairment losses	(98)	–
Fair value gains on investment properties	148	145
Total of net realised and unrealised gains on investments	922	6,562

In 2016, as a result of the fluctuation of the capital market, the realised gains on investments of the Company and its subsidiaries decreased by RMB5,167 million (or -81.5%) on a year-on-year basis. The net unrealised losses on investments for the Year were RMB304 million.

OVERALL RESULTS

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

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	22,451	28,203
Income tax expense	(4,430)	(6,356)
Profit for the year	18,021	21,847
Total assets (<i>Note</i>)	475,949	420,420

Note: Based on the data as at 31 December 2016 and 31 December 2015.

TOTAL PROFIT

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB22,451 million in 2016, representing a decrease of RMB5,752 million (or -20.4%) from RMB28,203 million in 2015.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB4,430 million in 2016, representing a decrease of RMB1,926 million from RMB6,356 million in 2015.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the year was RMB18,021 million in 2016, representing a decrease of RMB3,826 million (or -17.5%) from RMB21,847 million in 2015. Basic earnings per share attributable to owners of the parent in 2016 was RMB1.215.

CASH FLOW

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

	Year ended 31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	22,077	27,232
Net cash flows used in investing activities	(18,206)	(26,507)
Net cash flows used in financing activities	(1,555)	(2,054)
Net increase/(decrease) in cash and cash equivalents	<u>2,316</u>	<u>(1,329)</u>

In 2016, the net cash flows from operating activities of the Company and its subsidiaries amounted to RMB22,077 million, representing a decrease of RMB5,155 million from RMB27,232 million in 2015. In 2016, the Company adhered to market benchmarking, implemented proactive sales policy and focused on improving its ability to acquire high-quality business. Accordingly, the amount of cash paid by the Company for underwriting expenses, commission expenses, tax expenses and etc. increased, and their respective percentages in cash inflow from premiums increased.

In 2016, the net cash flows used in investing activities of the Company and its subsidiaries were RMB18,206 million, representing a decrease of RMB8,301 million from RMB26,507 million in 2015. In 2016, the cash flows from maturities of term deposits of the Company and its subsidiaries were RMB30,401 million and the cash flows used in investment in Hua Xia Bank were RMB22,444 million.

In 2016, the net cash flows used in financing activities of the Company and its subsidiaries were RMB1,555 million, representing a decrease of RMB499 million from RMB2,054 million in 2015. In 2016, the Company's net cash flows from the issuance of capital supplementary bonds were RMB15 billion, the net cash flows used in redemption of subordinated debts increased by RMB2 billion on a year-on-year basis, and the net cash flows from transactions of securities sold under agreements to repurchase decreased by RMB12,105 million on a year-on-year basis.

As at 31 December 2016, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB25,144 million.

LIQUIDITY

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

In November 2016, the Company issued fixed-rate capital supplementary bonds of RMB15 billion and in October 2014, the Company issued fixed-rate subordinated term debts of RMB8 billion, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of supplementing the capital and increasing the solvency margin of the Company.

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditure of the Company and its subsidiaries was RMB2,105 million in 2016.

SOLVENCY MARGIN REQUIREMENT

As at 31 December 2016, the actual capital of the Company was RMB140,793 million, the core capital was RMB113,864 million, the minimum capital was RMB49,071 million, the comprehensive solvency margin ratio was 287%, and the core solvency margin ratio was 232%.

GEARING RATIO

As at 31 December 2016, the gearing ratio (*Note*) of the Company and its subsidiaries was 70.1%, representing a decrease of 0.1 percentage point from 70.2% as at 31 December 2015.

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

CONTINGENT EVENT

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

As at 31 December 2016, there were certain pending legal proceedings for the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

On 24 March 2017, the Board proposed a final dividend of RMB0.309 per ordinary share for the Year. This proposal is subject to the approval at shareholders' general meeting of the Company.

CREDIT RISK

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

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

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

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

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

INTEREST RATE SWAPS

The Company's financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As at 31 December 2016, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB100 million.

DEVELOPMENT OF NEW PRODUCTS

In 2016, the Company focused on the hot spots of the market and the needs of clients and submitted a total of 715 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 151 national provisions and premium rates, 564 regional provisions and premium rates, and 574 main insurance provisions and premium rates and 141 rider provisions and premium rates. As at 31 December 2016, the Company had 10,023 insurance provisions in use and operation.

EMPLOYEES

As at the end of 2016, the Company had 174,545 employees. In 2016, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB26,783 million, mainly including basic salaries, performance-related bonus, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening employee training, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

In 2017, the Company will pursue supply upgrades and encourage innovation along the main line of supply-side structural reform. The Company will energize the front-end segment, optimise the middle tier segment and strengthen the back-end segment to enhance value creation capability and adhere to the bottom line of risk compliance. Through the above efforts, the Company aims at surpassing the market in terms of development and profitability and leading the industry in service quality. To ensure achievement of the annual operating targets, the Company will take solid measures in the following key areas:

- (1) Seize the opportunity and pursue supply upgrades to create a new landscape for the development of the Company.** Supply upgrading is necessary as time advances and for the Company to achieve leapfrog development. With serving the general economic and social development as its mission, the Company will expand its scope of service and pursue innovation of insurance supply and development approaches. It will establish a platform for business development and build up new advantage of policy-oriented business. It will also promote supply upgrades and accelerate the implementation of the strategy of internationalisation in order to build up new advantage and create new room for the development of the Company.
- (2) Energize the front-end segment and activate the vitality to build up new energy for business development.** Sales is the starting point of the business of an insurance company. Aiming at enhancing both the sales capability and the market competitiveness, the Company will organise a creative operation mechanism and improve the sales system development; continuously promote construction at, and activate the vitality of, the basic level; coordinate the channel construction and precisely connect with the clients; release the productivity of the first-line and free the capacity of the sales of the Company.
- (3) Optimise the middle tier segment and enhance the capability to create value of the professional business line.** The middle tier segment supports the front-end sales and the business results of the Company with its professional capability. With the objective of uplifting the capability of responding to the market and creating value, the Company will enhance the developments of business lines, claim settlement, customer services and professional investment capability and provide professional and efficient service support to the development of the first-line business to ensure that the development and profitability of the Company are always leading the industry.

(4) Strengthen the back-end segment and amplify the effectiveness to build up new advantage of back-end support. Being the foundation of the operation of a company, the back-end segment ensures the efficiency of the front-end sales and the effectiveness of the middle tier management. Aiming at increasing the operation efficiency and the service safeguard capability, the Company will accelerate the IT transformation and upgrading to continuously enhance the operation support capability; upgrade the underlying resources management to enhance the operation safeguard capability; improve the comprehensive risk control to uplift the risk prevention capability; step up brand development to promote the influence of its brand; make full efforts to build up a strong back-end support to fully elevate the backup support capability.

DIVIDEND

On 24 March 2017, the Board proposed the distribution of a Final Dividend of RMB0.309 per share (inclusive of applicable tax) for the Year. Such proposal for the payment of the Final Dividend is subject to the approval of the Company's shareholders at the annual general meeting to be held on 23 June 2017 (Friday). If approved, the Final Dividend is expected to be paid on 22 August 2017 to the shareholders whose names appear on the register of members of the Company on 5 July 2017 (Wednesday).

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from 30 June 2017 (Friday) to 5 July 2017 (Wednesday), both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 5 July 2017 (Wednesday) are entitled to receive the Final Dividend. In order for holders of H shares of the Company to qualify for the Final Dividend payment, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 29 June 2017 (Thursday) for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 23 June 2017 (Friday), the register of members of the Company will be closed from 24 May 2017 (Wednesday) to 23 June 2017 (Friday), both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 23 June 2017 (Friday) are entitled to attend and vote at the annual general meeting. In order for holders of H shares of the Company to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar mentioned above no later than 4:30 p.m. on 23 May 2017 (Tuesday) for registration.

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Final Dividend Income Tax Applicable to Overseas Shareholders

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

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

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

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

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

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

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

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

Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for domestic individual shareholders who invest in H shares of the Company through China-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the Final Dividend. For domestic shareholders who are securities investment funds investing in H shares of the Company through China-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the Final Dividend.

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

Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui〔2014〕No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅〔2014〕81號)) and the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui〔2016〕No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅〔2016〕127號)), for domestic enterprise shareholders who invest in H shares of the Company through China-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the Final Dividend, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H shares of the Company which have been continuously held by a domestic enterprise shareholder for 12 months shall be exempted from enterprise income tax.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code during the Year.

AUDIT COMMITTEE

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

DEFINITIONS

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

“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“C-ROSS”	China Risk Oriented Solvency System
“Director(s)”	director(s) of the Company
“Final Dividend”	the final dividend for the year ended 31 December 2016 as proposed for payment by the Board of Directors
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hua Xia Bank”	Hua Xia Bank Co., Limited
“Individual H Shareholders”	the individual holders of H shares in the Company who are entitled to receive the Final Dividend
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PICC Health”	PICC Health Insurance Company Limited
“PICC Life”	PICC Life Insurance Company Limited

“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Tax Measures”	the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Guo Shui Fa [2015] No. 60)
“the Year”	the year ended 31 December 2016
“%”	per cent

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
24 March 2017

As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Lin Zhiyong (executive director), the non-executive directors are Ms. Yu Xiaoping and Mr. Li Tao, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi, Mr. Ma Yusheng and Mr. Chu Bende.