

# Report of the Board of Directors

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management and internet finance. There were no significant changes in the nature of the Group’s principal activities during 2015.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five years is set out in “Five-Year Summary”.

## MAJOR CUSTOMERS

In 2015 under review, operating income from the Group’s five largest customers accounted for less than 1% of the total operating income for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

## RELATIONSHIP WITH CUSTOMERS

The Group believe that it is important to maintain good relationship with its customers to fulfil its long-term goals “to be a world-leading personal financial services provider”. To achieve this goal and maintain the leading position in terms of brand value, the Group aims at delivering constantly high standards of quality in the financial service to its customers. During 2015, there was no material and significant dispute between the Group and its customers.

## IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PROPOSAL DURING THE REPORTING PERIOD

### Cash Dividend Policy

According to Article 213 of the Articles of Association, the Company shall attach importance to the reasonable investment returns of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realized in the three years, provided that the annual distributable profits of the Company (namely profits after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association.

In preparing profit distribution plans, the Board of Directors of the Company shall listen and absorb views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors through various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plans. When a specific cash dividends distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned.

Where adjustment to our profit distribution policy is required due to the applicable national laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders' interests and in strict compliance with the decision-making process. To this end, the Board of Directors of the Company shall work out an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the same to the general meeting for consideration and approval. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding more than two-thirds of voting rights present at the general meeting.

### Implementation of Profit Distribution Proposal

The 2014 annual profit distribution proposal of the Company was considered and passed at the 2014 Annual General Meeting of the Company held on June 15, 2015, according to which the Company paid in cash the 2014 final dividend of RMB0.50 (tax inclusive) per share, in a total amount of RMB4,570,060,352.50, based on its 9,140,120,705 shares in issue at that time. In addition, the Company also proposed to convert the capital reserve into share capital in the proportion of 10 shares for every 10 shares held. The total share capital increased due to the conversion was RMB9,140,120,705.

The 2015 interim profit distribution proposal of the Company was considered and passed by the 2nd meeting of the 10th Session of the Board of Directors of the Company held on August 20, 2015, according to which the Company paid in cash the 2015 interim dividend of RMB0.18 (tax inclusive) per share, in a total amount of RMB3,290,443,453.80, based on its 18,280,241,410 shares in issue.

The decision-making procedure and mechanism of the above profit distribution proposals were complete, and the dividend payout standard and proportion were clear. The above profit distribution proposals were in line with the Articles of Association and relevant deliberation procedures and had fully protected the legitimate interests of minority shareholders. The Independent Non-executive Directors of the Company have made independent opinion to agree with the profit distribution proposals. The implementation of the above-mentioned distribution proposals has been completed.

### ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's results in 2015 are set out in the section titled "FINANCIAL STATEMENTS".

As stated in the 2015 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB54,203 million and net profit of the parent Company was RMB10,280 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on 10% of the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve fund may cease to apply if the balance of the statutory surplus reserve fund reached an amount equal to 50% of the registered capital of the Company. After making the above profit distribution and taking into account the retained profit carried forward from last year, according to the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB34,070 million.

The Company had distributed an interim dividend of RMB0.18 (tax inclusive) per share for 2015, which amounted to a total of RMB3,290,443,453.80. The Company proposes to pay in cash the 2015 final dividend of RMB0.35 (tax inclusive) per share, in a total amount of RMB6,398,084,493.50, based on its 18,280,241,410 shares in issue. The remaining profit will be carried forward to 2016. The retained profits are mainly for the purpose of endogenous capital accumulation, so as to maintain a reasonable solvency ratio as well as funding to subsidiaries so that they can maintain a reasonable solvency ratio or capital adequacy ratio.

The above proposal will be implemented upon approval at the 2015 Annual General Meeting. The profit distribution proposal is in line with the Articles of Association and relevant deliberation procedures and fully protects the legitimate interests of minority shareholders. The Independent Non-executive Directors of the Company have made independent opinion to agree with the profit distribution proposal.

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Particulars on dividend payouts of the Company over the past three years are set out as follows:

	Cash dividend issued for each share during the year (in RMB Yuan)	Cash dividend amount (including tax) (in RMB million)	Net profit attributable to shareholders of the parent company (in RMB million)	Ratio (%)
2015	0.53	9,688	54,203	17.9
2014	0.75	6,549	39,279	16.7
2013	0.65	5,145	28,154	18.3

- (1) Cash dividends include interim dividend and final dividend of the year.
- (2) Cash dividend issued for each share based on the share capital during issuing. For 2015, it is the number after the conversion of capital reserve to share capital instead.
- (3) Save as the 2015 final dividend which will be implemented upon approval at the 2015 Annual General Meeting, the profit distribution of other years has been completed.

## DISTRIBUTABLE RESERVES

As at December 31, 2015, the Company's reserves available for distribution totalled RMB34,070 million, the Company has proposed to distribute the 2015 final dividend of RMB0.35 (tax inclusive) per share in cash. After deducting the 2015 final dividend, the retained profits were carried forward to 2016. In addition, the Company's capital reserve and surplus reserve fund amounted to RMB137,235 million. The remaining reserve fund may be distributed by a future capitalization issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section headed "Management Discussion and Analysis".

## USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares have been successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing were HK\$36,831,472,000. The proceeds raised from the placing were used to develop the main business and replenish the equity and working capital of the Company, and the use of the proceeds raised was consistent with the use that was passed by the meeting of the Board of Directors. As at December 31, 2015, HK\$10,220 million from the placing is kept in the fund-raising account, and the rest had been used as intended.

## PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

## EQUITY INVESTMENT DURING THE REPORTING PERIOD

For equity investment, please refer to the section headed "Significant Events".

## SHARE CAPITAL

The change in the share capital of the Company in 2015 and the share capital structure of the Company as at December 31, 2015 are set out in "Changes in the Share Capital and Shareholders' Profile".

## RESERVES

Details of movements in the reserves of the Company and the Group during 2015 are set out in note 35 to the consolidated financial statements and in the “Consolidated Statement of Changes in Equity”, respectively.

## CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Company during 2015 totalled RMB76 million.

## PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during 2015 are set out in notes 31 and 30 to the consolidated financial statements, respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Company Law of the PRC or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

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

Save for the information disclosed under the paragraph headed “Ping An Convertible Bonds” as set out in “Changes in the Share Capital and Shareholders’ Profile”, neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed shares during 2015.

## DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS AND REMUNERATION

According to the resolutions of the 25th Meeting of the 7th Session of the Board of Directors and the 2nd Meeting of the 7th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 10th Session of the Board of Directors and all Supervisors of the 8th Session of the Supervisory Committee in August 2015. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As at December 31, 2015, no Directors or Supervisors had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2015 are set out in note 52 to the consolidated financial statements.

## DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors or Supervisors or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2015.

## DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES

At no time during 2015 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

## DIRECTORS’ AND SUPERVISORS’ INTERESTS IN A COMPETING BUSINESS

During 2015, the following person is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the HKEx Listing Rules, as set out below:

# Report of the Board of Directors

Mr. Lin Li, a former Shareholder Representative Supervisor of the Company, is the de facto controller of Shenzhen Liye Group Co., Ltd., whose subsidiary, Chinalin Security Company Limited, is engaged in stockbrokerage, securities investment consultancy, securities underwriting and sponsor and securities dealing. As its businesses overlapped with Ping An Securities, a subsidiary of the Company, that competes with the Company. Mr. Lin Li had retired as a Supervisor of the Company since June 2015. Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

## **PERMITTED INDEMNITY PROVISION**

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 58 to the financial statements.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

During 2015, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Corporate Governance Code for any part of the period from January 1, 2015 to December 31, 2015, except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed "Corporate Governance Report".

## **AUDITORS**

According to the resolutions of the 2014 Annual General Meeting of the Company, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company's financial statements under CAS and IFRS, and continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company for internal control in 2015.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, being March 15, 2016, at all times during the year ended December 31, 2015, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

### **Ma Mingzhe**

*Chairman and Chief Executive Officer*

Shenzhen, PRC  
March 15, 2016