

PICC 中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328



Interim Report 2015



CORPORATE INFORMATION

Registered name:	Chinese name: 中國人民財產保險股份有限公司 English name: PICC Property and Casualty Company Limited
Principal activities:	Motor vehicle insurance, commercial property insurance, homeowners insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, marine hull insurance, agriculture insurance, surety insurance and other insurance business, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of the PRC.
Place of listing of H Shares:	The Stock Exchange of Hong Kong Limited
Type of stock:	H Share
Stock name:	PICC P&C
Stock code:	2328
H share registrar and transfer office:	Computershare Hong Kong Investor Services Limited
Registered office:	Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC
Legal representative:	Wu Yan
Secretary of the Board of Directors:	Zhang Xiaoli
Company Secretary:	Man Kam Ching
Information inquiry department:	Secretariat of the Board of Directors Tel: (8610) 85176084 Fax: (8610) 85176084 E-mail: IR@picc.com.cn
Website:	www.epicc.com.cn
Auditors:	International Auditor: Deloitte Touche Tohmatsu Domestic Auditor: Deloitte Touche Tohmatsu Certified Public Accountants LLP
Legal advisors:	as to Hong Kong Laws: Linklaters as to PRC Laws: King & Wood Mallesons

Contents

Condensed Consolidated Income Statement	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Report on Review of Condensed Consolidated Financial Statements	38
Management Discussion and Analysis of Operating Results and Financial Conditions	39
Other Information	55
Definitions	60

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
GROSS WRITTEN PREMIUMS	4	146,232	132,118
Net earned premiums	4	115,740	99,646
Net claims incurred	5	(71,116)	(62,211)
Policy acquisition costs		(24,825)	(19,833)
Other underwriting expenses		(9,551)	(8,495)
Administrative expenses		(4,057)	(3,520)
UNDERWRITING PROFIT		6,191	5,587
Investment income	6	7,592	5,902
Net realised and unrealised gains/(losses) on investments	7	5,543	(448)
Investment related expenses		(445)	(105)
Exchange (losses)/gains, net		(19)	63
Sundry income		161	133
Sundry expenses		(75)	(64)
Finance costs	8	(788)	(921)
Share of profits of associates		388	121
PROFIT BEFORE TAX	9	18,548	10,268
Income tax expense	10	(4,126)	(2,478)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		14,422	7,790
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	12	0.973	0.573

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	14,422	7,790
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	9,289	1,139
– Reclassification of (gains)/losses to profit or loss on disposals	(5,174)	67
– Impairment losses	–	495
Income tax effect	(1,029)	(425)
Share of other comprehensive income of associates	286	141
	3,372	1,417
Net gains on cash flow hedges	5	21
Income tax effect	(1)	(5)
Share of other comprehensive income of associates	(1)	–
	3	16
NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	3,375	1,433
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	101	180
Income tax effect	(25)	(45)
	76	135
NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	76	135
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,451	1,568
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	17,873	9,358

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Audited)
ASSETS			
Cash and cash equivalents	13	25,444	24,157
Term deposits	14	98,992	88,236
Derivative financial assets		18	13
Debt securities	15	105,338	107,789
Equity securities and mutual funds	16	61,874	40,951
Insurance receivables, net	17	38,402	17,400
Reinsurance assets	18	26,292	25,681
Investments classified as loans and receivables	19	24,876	21,752
Prepayments and other assets		14,995	13,500
Investments in associates		8,085	4,750
Investment properties	20	4,763	4,684
Property, plant and equipment	21	13,695	13,786
Prepaid land premiums		3,351	3,431
Deferred tax assets		834	–
TOTAL ASSETS		426,959	366,130
LIABILITIES			
Payables to reinsurers	22	17,081	10,403
Accrued insurance protection fund		737	755
Securities sold under agreements to repurchase		28,991	14,241
Tax payable		3,451	818
Other liabilities and accruals		37,087	31,235
Insurance contract liabilities	18	221,937	198,137
Policyholders' deposits		1,781	1,786
Subordinated debts		16,250	22,449
Deferred tax liabilities		–	531
TOTAL LIABILITIES		327,315	280,355
EQUITY			
Issued capital	23	14,828	14,828
Reserves		84,811	70,942
Equity attributable to owners of the parent		99,639	85,770
Non-controlling interests		5	5
TOTAL EQUITY		99,644	85,775
TOTAL EQUITY AND LIABILITIES		426,959	366,130

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Six month ended 30 June 2015 (Unaudited)	Attributable to owners of the parent										Non- controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available- for-sale investment revaluation reserve	Cash flow hedging reserve	Surplus reserve***	General risk reserve	Profit reserve	Retained profits	Total	Total	RMB million
Balance at 1 January 2015	14,828	18,986	2,537	5,351	11	28,674	5,397	721	9,265	85,770	5	85,775
Profit for the period	-	-	-	-	-	-	-	-	14,422	14,422	-	14,422
Other comprehensive income	-	-	76	3,372	3	-	-	-	-	3,451	-	3,451
Total comprehensive income	-	-	76	3,372	3	-	-	-	14,422	17,873	-	17,873
2014 final dividend****	-	-	-	-	-	-	-	-	(4,004)	(4,004)	-	(4,004)
Balance at 30 June 2015	14,828	18,986*	2,613*	8,723*	14*	28,674*	5,397*	721*	19,683*	99,639	5	99,644

* The consolidated reserves of RMB84,811 million (31 December 2014: RMB70,942 million) in the condensed consolidated statement of financial position as at 30 June 2015 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserve.

**** On 26 June 2015, the shareholders of the Company at a general meeting approved a final dividend of RMB0.27 per ordinary share totalling RMB4,004 million for the year ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

Six months ended 30 June 2014 (Unaudited)	Attributable to owners of the parent									Non- controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available- for-sale investment revaluation reserve	Cash flow hedging reserve	Surplus reserve***	General risk reserve	Retained profits	Total	RMB	RMB
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Balance at 1 January 2014	13,604	12,990	2,292	(3,335)	(1)	22,887	3,940	5,122	57,499	5	57,504
Profit for the period	-	-	-	-	-	-	-	7,790	7,790	-	7,790
Other comprehensive income	-	-	135	1,417	16	-	-	-	1,568	-	1,568
Total comprehensive income	-	-	135	1,417	16	-	-	7,790	9,358	-	9,358
Appropriations to discretionary surplus reserve****	-	-	-	-	-	1,993	-	(1,993)	-	-	-
2013 final dividend*****	-	-	-	-	-	-	-	(3,007)	(3,007)	-	(3,007)
Balance at 30 June 2014	13,604	12,990*	2,427*	(1,918)*	15*	24,880*	3,940*	7,912*	63,850	5	63,855

* The consolidated reserves of RMB50,246 million (31 December 2013: RMB43,895 million) in the condensed consolidated statement of financial position as at 30 June 2014 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserve.

**** On 27 June 2014, the shareholders of the Company at a general meeting approved that 55% of the profit attributable to owners of the parent for 2013, amounting to RMB5,800 million, after the appropriations to the statutory surplus reserve and the general risk reserve, be appropriated to the discretionary surplus reserve. The Company appropriated RMB1,993 million to the discretionary surplus reserve during the six months ended 30 June 2014 as the Company already appropriated RMB3,807 million to the discretionary surplus reserve during the year ended 31 December 2013 based on a resolution approved by the Board of Directors of the Company on 26 August 2013.

***** On 27 June 2014, the shareholders of the Company at a general meeting approved a final dividend of RMB0.221 per ordinary share totalling RMB3,007 million for the year ended 31 December 2013.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	15,005	19,512
Income tax paid	(3,913)	(2,021)
Net cash inflow from operating activities	11,092	17,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,926	4,685
Payment for acquisition of an associate	(2,790)	–
Payment for purchase of debt securities, equity securities and mutual funds	(43,268)	(30,763)
Payment for purchase of investments classified as loans and receivables	(3,124)	(740)
Proceeds from sale of debt securities, equity securities and mutual funds	35,684	27,575
Placement of deposits with banks with original maturity of more than three months	(11,979)	(17,392)
Maturity of deposits with banks with original maturity of more than three months	1,223	2,077
Others	721	(484)
Net cash outflow from investing activities	(17,607)	(15,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for redemption of subordinated debts	(6,000)	–
Increase in securities sold under agreements to repurchase, net	14,750	3,668
Others	(948)	(1,105)
Net cash inflow from financing activities	7,802	2,563
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,287	5,012
Cash and cash equivalents at beginning of the period	24,157	16,272
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	25,444	21,284

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the “Company”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”).

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

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in property and casualty insurance business. The details of the operating segments are set out in note 3 to the condensed consolidated financial statements.

In the opinion of the directors, the parent and the ultimate holding company of the Company is The People’s Insurance Company (Group) of China Limited (the “PICC Group”), which is incorporated in the PRC.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies

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

Except for the adoption of new amendments to standard effective on 1 January 2015 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014. The Group has not early adopted any new standard, interpretation or amendment that has been issued but not yet effective.

Application of revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The following amendments to HKFRSs became effective for the current accounting period:

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

None of the above amendments to HKFRSs, however, are expected to have a material impact on the financial position or performance of the Group for the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. 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 profits of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2015 and 2014 are as follows:

Six months ended 30 June 2015 (Unaudited)	Insurance						Corporate	Total	
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	RMB million	
Gross written premiums	98,807	8,205	1,795	6,119	12,179	12,588	6,539	–	146,232
Net earned premiums	91,588	4,264	1,240	4,065	6,700	4,883	3,000	–	115,740
Net claims incurred	(56,550)	(2,011)	(452)	(2,223)	(5,547)	(2,880)	(1,453)	–	(71,116)
Policy acquisition costs	(21,794)	(1,042)	(322)	(1,040)	(530)	282	(379)	–	(24,825)
Other underwriting expenses	(6,706)	(545)	(157)	(339)	(405)	(958)	(441)	–	(9,551)
Administrative expenses	(2,616)	(213)	(80)	(143)	(474)	(293)	(238)	–	(4,057)
Underwriting profit/(loss)	3,922	453	229	320	(256)	1,034	489	–	6,191
Investment income	–	–	–	–	–	–	–	7,592	7,592
Net realised and unrealised gains on investments	–	–	–	–	–	–	–	5,543	5,543
Investment related expenses	–	–	–	–	–	–	–	(445)	(445)
Exchange losses, net	–	–	–	–	–	–	–	(19)	(19)
Finance costs	–	–	–	–	–	–	–	(788)	(788)
Sundry income and expenses, net	–	–	–	–	–	–	–	86	86
Share of profits of associates	–	–	–	–	–	–	–	388	388
Profit/(loss) before tax	3,922	453	229	320	(256)	1,034	489	12,357	18,548
Income tax expense	–	–	–	–	–	–	–	(4,126)	(4,126)
Profit/(loss) attributable to owners of the parent – segment results	3,922	453	229	320	(256)	1,034	489	8,231	14,422

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2014 (Unaudited)	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	
Gross written premiums	90,775	8,174	2,013	5,443	8,731	10,943	6,039	–	132,118
Net earned premiums	78,906	4,135	1,338	3,526	4,649	4,747	2,345	–	99,646
Net claims incurred	(50,594)	(1,847)	(540)	(1,850)	(3,637)	(2,797)	(946)	–	(62,211)
Policy acquisition costs	(17,191)	(1,082)	(295)	(879)	(444)	219	(161)	–	(19,833)
Other underwriting expenses	(5,724)	(524)	(243)	(317)	(302)	(915)	(470)	–	(8,495)
Administrative expenses	(2,495)	(202)	(100)	(130)	(185)	(239)	(169)	–	(3,520)
Underwriting profit	2,902	480	160	350	81	1,015	599	–	5,587
Investment income	–	–	–	–	–	–	–	5,902	5,902
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(448)	(448)
Investment related expenses	–	–	–	–	–	–	–	(105)	(105)
Exchange gains, net	–	–	–	–	–	–	–	63	63
Finance costs	–	–	–	–	–	–	–	(921)	(921)
Sundry income and expenses, net	–	–	–	–	–	–	–	69	69
Share of profits of associates	–	–	–	–	–	–	–	121	121
Profit before tax	2,902	480	160	350	81	1,015	599	4,681	10,268
Income tax expense	–	–	–	–	–	–	–	(2,478)	(2,478)
Profit attributable to owners of the parent – segment results	2,902	480	160	350	81	1,015	599	2,203	7,790

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2015 and 31 December 2014 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
30 June 2015 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	13,258	10,450	1,719	5,454	9,293	13,341	14,351	359,093	426,959
Segment liabilities	165,495	17,029	3,302	13,812	14,820	17,845	19,796	75,216	327,315

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
31 December 2014 (Audited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	12,258	8,719	1,341	3,931	3,929	4,798	11,202	319,952	366,130
Segment liabilities	157,665	14,452	3,037	11,756	9,548	10,128	16,918	56,851	280,355

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 period excluding underwriting profit/(loss). Income tax expense is not further allocated but assigned to corporate business segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2014 <i>RMB million</i> (Unaudited)
Gross written premiums		
Direct written premiums	145,926	131,836
Reinsurance premiums assumed	306	282
	146,232	132,118
Net earned premiums		
Gross written premiums	146,232	132,118
Less: Reinsurance premiums ceded	(15,917)	(16,861)
Net written premiums	130,315	115,257
Gross change in unearned premium reserves	(15,633)	(16,553)
Less: Reinsurer's share of change in unearned premium reserves	1,058	942
Net change in unearned premium reserves	(14,575)	(15,611)
Net earned premiums	115,740	99,646

5. NET CLAIMS INCURRED

	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2014 <i>RMB million</i> (Unaudited)
Gross claims paid	70,541	64,393
Less: Paid losses recoverable from reinsurers	(8,039)	(8,109)
Net claims paid	62,502	56,284
Gross change in loss and loss adjustment expense reserves	8,167	7,036
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	447	(1,109)
Net change in loss and loss adjustment expense reserves	8,614	5,927
Net claims incurred	71,116	62,211

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. INVESTMENT INCOME

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Rental income from investment properties	134	107
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	29	31
Dividend income	73	40
– Designated upon initial recognition		
Interest income	4	–
Available-for-sale financial assets:		
Interest income	1,595	1,431
Dividend income	1,226	647
Held-to-maturity investments:		
Interest income	1,047	1,015
Loans and receivables:		
Interest income	3,484	2,631
	7,592	5,902
Investment income from listed investments:		
Interest income	624	492
Dividend income	611	551
	1,235	1,043
Investment income from unlisted investments:		
Interest income	5,535	4,616
Dividend income	688	136
	6,223	4,752
Total	7,458	5,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Available-for-sale financial assets:		
Realised gains/(losses)	5,174	(67)
Impairment losses	–	(495)
Financial assets at fair value through profit or loss – held for trading:		
Realised gains	275	13
Unrealised gains	22	80
Fair value gains on investment properties	72	21
	5,543	(448)

8. FINANCE COSTS

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Interest on subordinated debts		
– wholly repayable within five years	(32)	74
– not wholly repayable within five years	423	450
	391	524
Interest on securities sold under agreements to repurchase	382	371
Other finance costs	15	26
	788	921

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Employee expenses	14,657	12,046
Depreciation of property, plant and equipment	886	888
Amortisation of prepaid land premiums	72	66
Impairment losses on insurance receivables	546	102
Minimum lease payments under operating leases in respect of land and buildings	335	341

10. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2014: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Current		
– Charge for the period	6,540	2,772
– Adjustment in respect of current tax of previous periods	6	–
Deferred	(2,420)	(294)
Total tax charge for the period	4,126	2,478

11. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2015.

Pursuant to the shareholders' approval at the general meeting on 26 June 2015, a final dividend of RMB0.27 per ordinary share totalling RMB4,004 million in respect of the year ended 31 December 2014 was declared.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

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

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	14,422	7,790
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	14,828	13,604
Basic earnings per share (RMB)	0.973	0.573

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 six months ended 30 June 2015 and 2014 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Audited)
Demand deposits	18,327	19,281
Securities purchased under resale agreements with original maturity of less than three months	5,785	4,806
Deposits with banks with original maturity of less than three months	1,332	70
	25,444	24,157

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals at the period end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
More than 3 months to 1 year	830	1,139
2 to 3 years	1,555	1,631
More than 3 years	96,607	85,466
	98,992	88,236

15. DEBT SECURITIES

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Classification of debt securities:		
Held for trading, at fair value		
– Government bonds	256	253
– Financial bonds	152	480
– Corporate bonds	616	211
	1,024	944
Available-for-sale, at fair value		
– Government bonds	7,427	7,872
– Financial bonds	12,976	15,353
– Corporate bonds	42,652	43,314
	63,055	66,539
Held-to-maturity, at amortised cost		
– Government bonds	3,026	3,025
– Financial bonds	27,727	27,467
– Corporate bonds	10,506	9,814
	41,259	40,306
	105,338	107,789
Listed investments		
Elsewhere	21,331	21,228
Unlisted investments	84,007	86,561
	105,338	107,789

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Listed investments, at fair value		
Mutual funds	7,912	1,773
Shares	24,212	20,174
Preferred shares	–	186
	32,124	22,133
Unlisted investments, at fair value		
Mutual funds	22,395	16,856
Shares	900	–
Preferred shares	5,002	514
Perpetual bonds	251	246
	28,548	17,616
Unlisted investments, at cost		
Shares	1,202	1,202
	61,874	40,951
Classification of equity securities and mutual funds:		
Held for trading, at fair value		
– issued by banks and other financial institutions	3,466	4,458
– issued by corporate entities	15	15
	3,481	4,473
Available-for-sale, at fair value		
– issued by banks and other financial institutions	48,605	30,022
– issued by corporate entities	8,384	5,164
– issued by public sector entities	163	87
– issued by others	39	3
	57,191	35,276
Available-for-sale, at cost		
– issued by banks and other financial institutions	1,202	1,202
	61,874	40,951
Listed investments		
Hong Kong	1,036	798
Elsewhere	31,088	21,335
Unlisted investments	29,750	18,818
	61,874	40,951

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. EQUITY SECURITIES AND MUTUAL FUNDS *(continued)*

Unlisted equity securities with a carrying amount of RMB1,202 million as at 30 June 2015 (31 December 2014: RMB1,202 million) were carried at cost less impairment, as their fair values cannot be measured reliably.

During the period, no impairment loss was provided by the Company on equity securities and mutual funds (six months ended 30 June 2014: an impairment loss of RMB495 million on equity securities and mutual funds).

17. INSURANCE RECEIVABLES, NET

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Premiums receivable and agents' balances	25,211	7,490
Receivables from reinsurers	16,355	12,600
	41,566	20,090
Less: Impairment provision on		
Premiums receivable and agents' balances	(2,932)	(2,450)
Receivables from reinsurers	(232)	(240)
	38,402	17,400

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

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Not yet due	17,214	13,599
Within 1 month	5,170	691
1 to 3 months	8,215	1,397
Over 3 months	7,803	1,713
	38,402	17,400

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. INSURANCE RECEIVABLES, NET *(continued)*

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB216 million (31 December 2014: RMB135 million). Please refer to note 30(c) for details.

The Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch, Moody's) or above except for state-owned reinsurance companies. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

18. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

An analysis of insurance contract liabilities and their corresponding reinsurance assets is set out as follows:

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Gross amount RMB million	Reinsurers' share RMB million	Net amount RMB million	Gross amount RMB million	Reinsurers' share RMB million	Net amount RMB million
Unearned premium reserves	111,271	(10,650)	100,621	95,638	(9,592)	86,046
Loss and loss adjustment expense reserves	110,666	(15,642)	95,024	102,499	(16,089)	86,410
	221,937	(26,292)	195,645	198,137	(25,681)	172,456

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Long-term debt investment schemes	20,373	18,742
Asset management products	1,350	1,350
Subordinated debts held	500	800
Asset-backed securities	653	760
Trust plans	2,000	100
	24,876	21,752

Long-term debt investment schemes (“Debt Schemes”) are structured entities and offer either fixed or variable interests to their investors, and the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group’s investments in Debt Schemes are entirely lending transactions in nature and the Group’s proportion of funds lent to these Debt Schemes ranges from 2% to 100% of the total funds raised. The interest rates of these Debt Schemes are 5.60%-7.20% (31 December 2014: 4.75%-7.20%) per annum as at 30 June 2015.

All loans originated by the Debt Schemes with the funds received from their investors are guaranteed by third parties and these guarantees are always joint, irrevocable and unconditional. Guarantors of Debt Schemes are banks of high credit rating or state-owned enterprises. The Group does not control any of these Debt Schemes. The Group’s voting rights as lenders to these Debt Schemes are protective of the Group’s interests in the Debt Schemes and mainly comprise of early termination or extension of the Debt Schemes’ term and, when certain conditions exist, change of the Debt Schemes’ managers. Support from two-thirds of the beneficiary interests are required to pass resolutions to make these changes. The Group did not guarantee or provide any financing support for these Debt Schemes, and considers that the carrying amount of the loans to these Debt Schemes represents the Group’s maximum risk exposure.

The original term of subordinated debt is 10 years with a redemption right exercisable by the issuer at the end of fifth year after its issue. The interest rate of the debt is 5.60% (31 December 2014: 4.65%-5.60%) per annum as at 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. INVESTMENT PROPERTIES

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
At 1 January	4,684	4,591
Transfers from property, plant and equipment and prepaid land premiums	101	93
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	101	180
Increase in fair value of investment properties during the period	72	21
Transfers to property, plant and equipment and prepaid land premiums	(195)	(213)
At 30 June	4,763	4,672

The fair values were determined based on the valuation carried out by an external independent valuer, DTZ DEBENHAM TIE LEUNG Limited. Valuations were based on combination of the following two approaches:

- (i) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or
- (ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The independent valuer usually determines the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to his professional judgement. Therefore, these fair values are categorised as Level 3.

As at 30 June 2015 and 31 December 2014, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group.

The Group's investment properties are all situated in Mainland China and are held under medium term leases.

21. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB244 million (six months ended 30 June 2014: RMB294 million).

Assets with a net book value of RMB21 million were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB20 million), resulting in a net disposal gain of RMB27 million (six months ended 30 June 2014: RMB7 million).

During the six months ended 30 June 2015, construction in progress with an aggregate amount of RMB27 million (six months ended 30 June 2014: RMB9 million) was transferred to land and buildings upon completion. During the six months ended 30 June 2015, construction in progress with an aggregate amount of RMB462 million (six months ended 30 June 2014: RMB123 million) was increased by the Group.

During the six months ended 30 June 2015, property, plant and equipment with a carrying amount of RMB86 million (six months ended 30 June 2014: RMB55 million) was transferred to investment properties, and investment properties with a carrying amount of RMB195 million (six months ended 30 June 2014: RMB125 million) was transferred to property, plant and equipment.

22. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Reinsurance payables	17,081	10,403

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB259 million (31 December 2014: RMB150 million). Please refer to note 30(c) for details.

23. ISSUED CAPITAL

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Shares		
Issued and fully paid:		
Domestic shares of RMB1.00 each	10,229	10,229
H shares of RMB1.00 each	4,599	4,599
	14,828	14,828

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. FAIR VALUE AND FAIR VALUE HIERARCHY

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 20 to these condensed consolidated financial statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

During the six months ended 30 June 2015, The People's Bank of China reduced the one-year benchmark lending and deposit rates three times from 5.60% to 4.85% and from 2.75% to 2%, respectively, giving to general rises of the fair values of debt securities, equity securities and mutual funds held by the Group. Moreover, the Shanghai Stock Exchange Index also increased by 27.7% during the period from 3,350.52 on 5 January 2015 to 4,277.22 on 30 June 2015.

(a) Fair value of financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value are disclosed below:

<i>(in RMB million)</i>	As at 30 June 2015 (Unaudited)	
	Carrying amounts	Fair value
Financial assets		
Held-to-maturity investments	41,259	43,450
Investments classified as loans and receivables	24,876	26,961
Financial liabilities		
Subordinated debts	16,250	18,365
<i>(in RMB million)</i>	As at 31 December 2014 (Audited)	
	Carrying amounts	Fair value
Financial assets		
Held-to-maturity investments	40,306	40,992
Investments classified as loans and receivables	21,752	23,198
Financial liabilities		
Subordinated debts	22,449	24,438

24. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

(a) Fair value of financial assets and liabilities not measured at fair value (continued)

30 June 2015 (Unaudited)	Fair value Hierarchy			Total RMB million
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	
Financial assets				
Held-to-maturity investments	3,838	39,612	–	43,450
Investments classified as loans and receivables	–	26,961	–	26,961
Financial liabilities				
Subordinated debts	–	18,365	–	18,365

31 December 2014 (Audited)	Fair value Hierarchy			Total RMB million
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	
Financial assets				
Held-to-maturity investments	2,607	38,385	–	40,992
Investments classified as loans and receivables	–	23,198	–	23,198
Financial liabilities				
Subordinated debts	–	24,438	–	24,438

The fair values of financial assets and financial liabilities classified under Level 2 have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

(b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, their fair value hierarchy, the valuation technique(s) and input(s) used).

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Audited)		
Trading debt securities	3	–	Level 1	Quoted bid prices in an active market.
Trading debt securities	1,021	944	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Trading equity securities and mutual funds	3,481	4,473	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	7,029	8,571	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	56,026	57,968	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	36,296	20,665	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities	5,253	760	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities	14,742	13,851	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
Available-for-sale equity securities	900	–	Level 3	By reference to the latest round of financing price.
Derivative financial assets				
– Interest rate swaps	18	13	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

(b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

As at 30 June 2015 (Unaudited)	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Derivative financial assets:				
– Interest rate swaps	–	18	–	18
Financial assets held for trading:				
– Equity securities and mutual funds	3,481	–	–	3,481
– Debt securities	3	1,021	–	1,024
Available-for-sale investments:				
– Equity securities and mutual funds	36,296	5,253	15,642	57,191
– Debt securities	7,029	56,026	–	63,055
	46,809	62,318	15,642	124,769
As at 31 December 2014 (Audited)				
Derivative financial assets:				
– Interest rate swaps	–	13	–	13
Financial assets held for trading:				
– Equity securities and mutual funds	4,473	–	–	4,473
– Debt securities	–	944	–	944
Available-for-sale investments:				
– Equity securities and mutual funds	20,665	760	13,851	35,276
– Debt securities	8,571	57,968	–	66,539
	33,709	59,685	13,851	107,245

For the six months ended 30 June 2015, the Group transferred certain debt securities with a carrying amount of RMB1,204 million (for the six months ended 30 June 2014: Nil) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets and a carrying amount of RMB732 million (for the six months ended 30 June 2014: Nil) from Level 2 to Level 1 as the Group could obtain quoted prices in active markets.

There were no transfers into or out of Level 3 for the six months ended 30 June 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

(b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The investment in Industrial Bank Co., Ltd. (“IBC”) shares classified as available-for-sale investments is subject to a lock-up period of 36 months. To determine the fair value of IBC shares, the Company used quoted price of the shares taking into account of non-marketability discount estimated using Black-Scholes option pricing model. The Company used the historical volatility of share prices as the significant unobservable input in the fair value measurement of the non-marketability discount. An increase or decrease in historical volatility of shares would have a significant impact on the fair value measurement of non-marketability discount and the recorded fair value. Therefore, the above available-for-sale investment in respect of IBC was classified as Level 3 fair value hierarchy.

The historical volatility used in measuring the fair value of shares of IBC as at 30 June 2015 is 37.40% (31 December 2014: 34.61%). If this input was made higher/lower by 5% while all the other variables were held constant, the carrying amount of the shares as at 30 June 2015 would be lower/higher by approximately RMB85 million (31 December 2014: RMB104 million).

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Available-for-sale equity securities		
At 1 January	13,851	8,552
Addition	900	–
Unrealised gains/(losses) recognised in other comprehensive income	891	(503)
At 30 June	15,642	8,049

25. FINANCIAL RISK MANAGEMENT

The Group’s activities are exposed to a variety of financial risks. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group’s insurance contracts. The most important components of financial risks are credit risk, market risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group’s consolidated annual financial statements for the year ended 31 December 2014.

There have been no significant changes in the Group’s risk management processes since 31 December 2014 or in any risk management policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

26. MATURITY PROFILE

The table below summarises the maturity profile of the financial assets and liabilities using the contractual collection or repayment dates while the expected timing of settlement is used for insurance contract liabilities and reinsurance assets of the Group. All amounts are based on undiscounted contractual cash flows.

30 June 2015 (Unaudited)	On demand/ Past due RMB million	Within 3 months RMB million	3 to 12 months RMB million	1 to 5 years RMB million	More than 5 years RMB million	No maturity date RMB million	Total RMB million
Assets:							
Cash and cash equivalents	18,327	7,119	–	–	–	–	25,446
Term deposits	–	480	14,636	98,744	49	–	113,909
Derivative financial assets	–	3	12	4	–	–	19
Debt securities							
– Held for trading	–	72	573	331	112	–	1,088
– Available-for-sale	–	2,368	7,458	38,036	28,378	–	76,240
– Held-to-maturity	–	51	1,252	8,593	62,306	–	72,202
Equity securities and mutual funds	–	–	–	–	–	61,874	61,874
Insurance receivables, net	21,189	10,032	4,759	2,331	91	–	38,402
Reinsurance assets	–	4,846	14,146	5,138	2,432	–	26,562
Investments classified as loans and receivables	–	676	1,678	16,270	16,056	–	34,680
Other financial assets	2,589	2,928	3,841	4,628	94	–	14,080
Liabilities:							
Payables to reinsurers	8,311	8,001	472	282	15	–	17,081
Securities sold under agreements to repurchase	–	28,998	–	–	–	–	28,998
Insurance contract liabilities	–	35,589	141,433	16,493	29,257	–	222,772
Policyholders' deposits	1,781	–	–	–	–	–	1,781
Subordinated debts	–	–	474	6,498	16,469	–	23,441
Other financial liabilities	1,024	14,142	9,921	1,946	93	–	27,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

26. MATURITY PROFILE (continued)

31 December 2014 (Audited)	On demand/ Past due RMB million	Within 3 months RMB million	3 to 12 months RMB million	1 to 5 years RMB million	More than 5 years RMB million	No maturity date RMB million	Total RMB million
Assets:							
Cash and cash equivalents	19,282	4,883	–	–	–	–	24,165
Term deposits	–	290	1,540	87,672	10,663	–	100,165
Derivative financial assets	–	1	7	5	–	–	13
Debt securities							
– Held for trading	–	174	5	405	520	–	1,104
– Available-for-sale	–	751	10,957	38,556	31,192	–	81,456
– Held-to-maturity	–	76	1,222	8,420	61,975	–	71,693
Equity securities and mutual funds	–	–	–	–	–	40,951	40,951
Insurance receivables, net	3,801	9,809	2,693	1,028	69	–	17,400
Reinsurance assets	–	5,767	12,172	4,939	3,066	–	25,944
Investments classified as loans and receivables							
Other financial assets	–	177	1,718	12,726	15,976	–	30,597
	2,598	2,474	3,144	3,945	12	–	12,173
Liabilities:							
Payables to reinsurers	2,025	7,551	552	254	21	–	10,403
Securities sold under agreements to repurchase							
	–	14,254	–	–	–	–	14,254
Insurance contract liabilities	–	35,747	121,727	12,827	28,638	–	198,939
Policyholders' deposits	1,786	–	–	–	–	–	1,786
Subordinated debts	–	–	795	7,982	23,234	–	32,011
Other financial liabilities	1,037	15,501	5,500	1,663	53	–	23,754

27. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2015. The management of the Company believes such litigation matters will not cause significant losses to the Group.

Owing to the nature of the insurance business, the Group is involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies, and some losses arising therefrom might be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

28. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 20) under operating lease arrangements, with leases negotiated for terms mainly ranging from one year to twenty years (31 December 2014: two to twenty years).

Future minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Within one year	179	176
In the second to fifth years, inclusive	174	204
After five years	101	98
	454	478

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

28. OPERATING LEASE COMMITMENTS (continued)

(b) As lessee

The Group leases office premises and motor vehicles under various operating lease arrangements.

Future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Within one year	143	153
In the second to fifth years, inclusive	567	644
After five years	205	220
	915	1,017

29. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Contracted, but not provided for:		
Property, plant and equipment	1,505	617
Investments	490	2,790
Authorised, but not contracted for:		
Property, plant and equipment	797	1,264
Investments	400	–
	3,192	4,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Transactions with PICC Group:		
Rental expense	37	37
WAN service fees	9	7
Transactions with fellow subsidiaries:		
Property rental expenses	57	52
Property rental income	1	1
Management fee	75	67
Premiums ceded	254	296
Reinsurance commission income	95	128
Paid losses recoverable from reinsurers	133	113
Brokerage commission expense	90	58
Agency services commission received	8	3
Agency services commission paid	2	3
Transactions with an associate:		
Premiums paid	96	15
Agency services commission received	34	15
Agency services commission paid	41	38
Transactions with an associate of PICC Group:		
Interest income	71	14
Dividend income	542	436
Interest expenses	15	22
Premium income	–	17
Claims paid	14	11
Commission expense	1	3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other government-related entities in the PRC

The Company is a state-owned enterprise which is subject to the indirect control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the “government-related entities”).

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks for insurance policies distributed.

The directors consider that transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

(c) Outstanding balances with related parties

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Cash and cash equivalents:		
An associate of PICC Group	643	5,363
Term deposits:		
An associate of PICC Group	894	500
Debt securities:		
An associate of PICC Group	2,071	2,070
Equity securities and mutual funds:		
An associate of PICC Group	14,449	14,354
Receivables from reinsurers:		
A fellow subsidiary (note 17)	216	135

30. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties (continued)

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Audited)
Investments classified as loans and receivables:		
An associate of PICC Group	49	98
Due from related parties:		
PICC Group	65	60
Fellow subsidiaries	30	40
An associate of PICC Group	74	76
Payables to reinsurers:		
A fellow subsidiary (note 22)	259	150
Due to related parties:		
PICC Group	54	–
Fellow subsidiaries	73	55
An associate of PICC Group	18	5
Subordinated debts issued to:		
An associate of PICC Group	451	449

PICC Life Insurance Company Limited (the “PICC Life”) is both an associate of the Company and a fellow subsidiary of the Company as its parent company is PICC Group. In the above note, PICC Life is included in “An associate” and excluded from “Fellow subsidiaries”.

The balances with PICC Group, fellow subsidiaries, associates and an associate of PICC Group are settled according to respective arrangements between the Company and the related parties.

(d) Key management personnel

Key management personnel include the Chairman of the Board and executive directors.

No transactions have been entered with the key management personnel during the six months ended 30 June 2015 other than the emoluments paid to them (being the key management personnel compensation).

31. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2015.

TO THE BOARD OF DIRECTORS OF PICC PROPERTY AND CASUALTY COMPANY LIMITED (Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 37, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 August 2015

OVERVIEW

In the first half of 2015, confronted with the complex and changing economic environment at home and abroad and the increasingly competitive market conditions, the Company adhered to the keynotes of “increasingly strengthening reform and innovation, continuously sustaining stable growth and further focusing on value creation”, accelerated the transformation on all fronts towards a customer-oriented business mode, timely adjusted its development strategy, committed to the enhancement of its operation and management level, and tightened its cost control. As a result, the Company witnessed significant improvement of its overall profitability and steady enhancement of its comprehensive strengths.

- Achieving a solid business growth and maintaining a stable market share.** In the first half of 2015, the gross written premiums of the Company and its subsidiaries reached RMB146,232 million, representing an increase of 10.7% compared to the same period of last year. The incremental premium income reached RMB14,090 million which remained at the top position in the industry. In particular, the gross written premiums of the motor vehicle insurance segment amounted to RMB98,807 million, representing an increase of 8.8% compared to the same period of last year, and the gross written premiums of the non-motor insurance business amounted to RMB47,425 million, representing an increase of 14.7% compared to the same period of last year. The Company’s market share in the PRC property and casualty insurance market is 34.2% (*Note*), representing an increase of 0.7 percentage points compared to the end of 2014, further reinforcing its market position.

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

- Significant improvement of the overall profitability with operating results hitting another record high.** In the first half of 2015, the Company and its subsidiaries achieved a combined ratio of 94.7%, outperforming the average level in the industry; underwriting profit was RMB6,191 million, representing an increase of 10.8% compared to the same period of last year; total investment income was RMB13,523 million, representing an increase of 142.6% compared to the same period of last year; profit attributable to owners of the parent was RMB14,422 million, representing an increase of 85.1% compared to the same period of last year, hitting another record high in operating results compared to the same periods of previous years.
- Steady enhancement of the comprehensive strengths and more outstanding inherent quality.** As at 30 June 2015, the total assets of the Company and its subsidiaries reached RMB426,959 million, representing an increase of 16.6% compared to the end of 2014; the total equity reached RMB99,644 million, representing an increase of 16.2% compared to the end of 2014; the total amount of investment assets grew steadily, reaching RMB332,441 million, representing an increase of 12.6% compared to the end of 2014; the net cash flows from operating activities reached RMB11,092 million; and the solvency margin ratio was 226%, higher than the regulatory Solvency Adequacy level II (150%). Attributable to the outstanding industry position and comprehensive strengths of the Company, in June 2015, Moody’s Investors Service upgraded the insurance financial strength rating of the Company from A1 to Aa3 and awarded a rating outlook of stable. This is the highest rating achieved in China and is the same as China’s sovereign rating.

UNDERWRITING RESULTS

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

	Six months ended 30 June			
	2015		2014	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	115,740	100.0	99,646	100.0
Net claims incurred	(71,116)	(61.5)	(62,211)	(62.4)
Total expenses	(38,433)	(33.2)	(31,848)	(32.0)
Underwriting profit	6,191	5.3	5,587	5.6

GROSS WRITTEN PREMIUMS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	98,807	90,775
Commercial property insurance	8,205	8,174
Liability insurance	6,119	5,443
Accidental injury and health insurance	12,179	8,731
Cargo insurance	1,795	2,013
Agriculture insurance	12,588	10,943
Other insurance	6,539	6,039
Total	146,232	132,118

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:

	Six months ended 30 June			2014	
	Amount RMB million	2015 Percentage %	Increase/ (decrease) %	Amount RMB million	Percentage %
Insurance agents	77,961	53.4	12.1	69,565	52.8
Individual insurance agents	42,080	28.8	4.2	40,379	30.6
Ancillary insurance agents	25,306	17.4	27.2	19,898	15.1
Professional insurance agents	10,575	7.2	13.9	9,288	7.1
Direct sales	59,783	41.0	18.4	50,483	38.3
Insurance brokers	8,182	5.6	(30.6)	11,788	8.9
Total	145,926	100.0	10.7	131,836	100.0

Gross written premiums of the Company and its subsidiaries were RMB146,232 million in the first half of 2015, representing an increase of RMB14,114 million (or 10.7%) from RMB132,118 million in the first half of 2014. The steady growth of the overall business was largely driven by the business development of the motor vehicle insurance, accidental injury and health insurance, liability insurance, agriculture insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB98,807 million in the first half of 2015, representing an increase of RMB8,032 million (or 8.8%) from RMB90,775 million in the first half of 2014. With an external environment of sluggish new car sales, the Company took a positive approach to the deregulation of premium rate of commercial motor vehicle insurance, formulated differentiated marketing strategies, promoted the transformation of marketing model from “product-driven” to “customer-driven”, tapped into the existing business resources, and focused on the policy renewal and regain of existing business. As a result, the renewal rate increased, and the growth rate of premium income from policy renewal and transferred-in policies was higher than that of the overall motor vehicle insurance business, effectively driving the steady growth of motor vehicle insurance business.

Gross written premiums of the commercial property insurance segment of the Company and its subsidiaries were RMB8,205 million in the first half of 2015, representing an increase of RMB31 million (or 0.4%) from RMB8,174 million in the first half of 2014. In the first half of 2015, the overall growth of the commercial property insurance industry slowed down due to the economic structural adjustment and weakened investment initiatives among enterprises. By diligently expanding its product sales channels and strengthening its marketing, the Company achieved a stable commercial property insurance business growth.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB6,119 million in the first half of 2015, representing an increase of RMB676 million (or 12.4%) from RMB5,443 million in the first half of 2014. The relatively rapid growth of the liability insurance segment was mainly due to the Company's actively serving the overall situation of the national economy and society, reinforcing differentiated resources allocation and strengthening business promotion and training, thereby achieving relatively rapid growth in the employer liability insurance, medical liability insurance, extended warranty and repair liability insurance, public liability insurance and product liability insurance business.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB12,179 million in the first half of 2015, representing an increase of RMB3,448 million (or 39.5%) from RMB8,731 million in the first half of 2014. One of the reasons for the rapid development of the accidental injury and health insurance segment was the Company's promotion of the business of critical illness insurance and accidental injury insurance relating to people's livelihood by successfully seizing the opportunities arising from the "New Ten Rules" policy. Another reason was the Company's efforts in the implementation of differentiated development strategy which included further tapping into the resources of existing customers through integration of channels to accelerate the development of drivers' accidental injury insurance and micro accidental injury insurance in rural areas, and promoting professional business management through its support of key projects to accelerate the development of emerging business such as surgical accidental injury insurance and travel insurance.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB1,795 million in the first half of 2015, representing a decrease of RMB218 million (or -10.8%) from RMB2,013 million in the first half of 2014. Affected by the macroeconomic situation and changes in the market environment, insurance customer resources for cargo insurance shrank with decreased premium rate and insured amount.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB12,588 million in the first half of 2015, representing an increase of RMB1,645 million (or 15.0%) from RMB10,943 million in the first half of 2014. In the first half of 2015, the Company achieved relatively rapid growth in traditional agriculture insurance business by reinforcing its traditional direct sales channels and implementing the existing marketing strategy; at the same time, by technological innovation and tapping into the market potentials, the Company expanded the market space for forest insurance and animal breeding insurance, thereby driving the rapid growth of the new business.

Gross written premiums of other insurance segment of the Company and its subsidiaries were RMB6,539 million in the first half of 2015, representing an increase of RMB500 million (or 8.3%) from RMB6,039 million in the first half of 2014. The growth of gross written premiums of other insurance segment was mainly attributable to the Company's active innovation of products and sales model and diligent market expansion, resulting in the growth of credit and surety insurance, homeowners insurance and construction insurance business.

NET EARNED PREMIUMS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	91,588	78,906
Commercial property insurance	4,264	4,135
Liability insurance	4,065	3,526
Accidental injury and health insurance	6,700	4,649
Cargo insurance	1,240	1,338
Agriculture insurance	4,883	4,747
Other insurance	3,000	2,345
Total	115,740	99,646

Net earned premiums of the Company and its subsidiaries were RMB115,740 million in the first half of 2015, representing an increase of RMB16,094 million (or 16.2%) from RMB99,646 million in the first half of 2014.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2015		2014	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	<i>RMB million</i>	%	<i>RMB million</i>	%
Motor vehicle insurance	(56,550)	(61.7)	(50,594)	(64.1)
Commercial property insurance	(2,011)	(47.2)	(1,847)	(44.7)
Liability insurance	(2,223)	(54.7)	(1,850)	(52.5)
Accidental injury and health insurance	(5,547)	(82.8)	(3,637)	(78.2)
Cargo insurance	(452)	(36.5)	(540)	(40.4)
Agriculture insurance	(2,880)	(59.0)	(2,797)	(58.9)
Other insurance	(1,453)	(48.4)	(946)	(40.3)
Total	(71,116)	(61.5)	(62,211)	(62.4)

Net claims incurred of the Company and its subsidiaries in the first half of 2015 were RMB71,116 million, representing an increase of RMB8,905 million (or 14.3%) from RMB62,211 million in the first half of 2014. The loss ratio was 61.5%, representing a decrease of 0.9 percentage points compared with the same period of last year.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB56,550 million in the first half of 2015, representing an increase of RMB5,956 million (or 11.8%) from RMB50,594 million in the first half of 2014. The loss ratio decreased by 2.4 percentage points from 64.1% in the first half of 2014 to 61.7% in the first half of 2015. The Company strengthened the underwriting risk control and optimised the business structure, thereby increasing the quality of the underwriting business. Meanwhile, as a result of the multi-faceted reinforcement of cost control in relation to settlement of claims through measures such as consistent strengthening of spare parts and man hours management and improvement in the building-up of a recommended repair workshops network, the loss ratio of the motor vehicle insurance segment decreased compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB2,011 million in the first half of 2015, representing an increase of RMB164 million (or 8.9%) from RMB1,847 million in the first half of 2014. The loss ratio increased by 2.5 percentage points from 44.7% in the first half of 2014 to 47.2% in the first half of 2015. Both the net claims incurred and loss ratio of the commercial property insurance segment increased due to the negative impact of large-amount claim cases and certain regional natural catastrophes.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB2,223 million in the first half of 2015, representing an increase of RMB373 million (or 20.2%) from RMB1,850 million in the first half of 2014. The loss ratio increased by 2.2 percentage points from 52.5% in the first half of 2014 to 54.7% in the first half of 2015. As a result of an increase in both the number of claim cases and average claims incurred per case in relation to major insurance products such as employer liability insurance, logistics liability insurance and product liability insurance, both the net claims incurred and loss ratio of the liability insurance segment increased.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB5,547 million in the first half of 2015, representing an increase of RMB1,910 million (or 52.5%) from RMB3,637 million in the first half of 2014. The loss ratio increased by 4.6 percentage points from 78.2% in the first half of 2014 to 82.8% in the first half of 2015. In the first half of 2015, the critical illness insurance business saw rapid development with broader coverage and higher protection, resulting in an increase in the loss ratio of the accidental injury and health insurance segment.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries were RMB452 million in the first half of 2015, representing a decrease of RMB88 million (or -16.3%) from RMB540 million in the first half of 2014. The loss ratio decreased by 3.9 percentage points from 40.4% in the first half of 2014 to 36.5% in the first half of 2015. The decrease in both the net claims incurred and loss ratio of cargo insurance segment was due to the reduced number of large-amount claim cases.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB2,880 million in the first half of 2015, representing an increase of RMB83 million (or 3.0%) from RMB2,797 million in the first half of 2014. The loss ratio increased by 0.1 percentage point from 58.9% in the first half of 2014 to 59.0% in the first half of 2015, remaining relatively stable compared to the same period of last year.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB1,453 million in the first half of 2015, representing an increase of RMB507 million (or 53.6%) from RMB946 million in the first half of 2014. The loss ratio increased by 8.1 percentage points from 40.3% in the first half of 2014 to 48.4% in the first half of 2015, in particular, the loss ratio of credit insurance recorded a significant increase.

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:

	Six months ended 30 June			
	2015		2014	
	Total expenses	Expense ratio	Total expenses	Expense ratio
	RMB million	%	RMB million	%
Motor vehicle insurance	(31,116)	(34.0)	(25,410)	(32.2)
Commercial property insurance	(1,800)	(42.2)	(1,808)	(43.7)
Liability insurance	(1,522)	(37.4)	(1,326)	(37.6)
Accidental injury and health insurance	(1,409)	(21.0)	(931)	(20.0)
Cargo insurance	(559)	(45.1)	(638)	(47.7)
Agriculture insurance	(969)	(19.8)	(935)	(19.7)
Other insurance	(1,058)	(35.3)	(800)	(34.1)
Total	(38,433)	(33.2)	(31,848)	(32.0)

Total expenses of the Company and its subsidiaries were RMB38,433 million in the first half of 2015, representing an increase of RMB6,585 million (or 20.7%) from RMB31,848 million in the first half of 2014. The expense ratio increased by 1.2 percentage points from 32.0% in the first half of 2014 to 33.2% in the first half of 2015. The Company actively promoted the company-wide construction of thriftiness-oriented administrative organisations, adopted a cost-leading strategy, introduced management tools such as standard cost pool and project preferential mechanism and strictly controlled the operating costs, resulting in an administrative expense ratio of 3.5%, basically staying at the same level compared to the same period of last year. At the same time, the Company deepened the implementation of the strategic adjustment of the business structure, increased resources input to business with high quality, consistently promoted the building-up of the sales network and reinforced the construction of business outlet infrastructures at the basic level. As a result, the underwriting expense ratio was 29.7%, representing an increase of 1.2 percentage points compared to that of the same period of last year, which remained at a relatively low level as compared with those in the market.

UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2015		2014	
	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %	Underwriting profit <i>RMB million</i>	Underwriting profit ratio %
Motor vehicle insurance	3,922	4.3	2,902	3.7
Commercial property insurance	453	10.6	480	11.6
Liability insurance	320	7.9	350	9.9
Accidental injury and health insurance	(256)	(3.8)	81	1.8
Cargo insurance	229	18.4	160	11.9
Agriculture insurance	1,034	21.2	1,015	21.4
Other insurance	489	16.3	599	25.6
Total	6,191	5.3	5,587	5.6

The Company and its subsidiaries recorded an underwriting profit of RMB6,191 million in the first half of 2015, representing an increase of RMB604 million (or 10.8%) from RMB5,587 million in the first half of 2014; and the underwriting profit ratio was 5.3%, representing a decrease of 0.3 percentage points from 5.6% in the first half of 2014.

INVESTMENT RESULTS

Composition of Investment Assets

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

	30 June 2015		31 December 2014	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	25,444	7.7	24,157	8.2
Term deposits	98,992	29.8	88,236	29.9
Debt securities	105,338	31.7	107,789	36.5
Equity securities and mutual funds	61,874	18.6	40,951	13.9
Investments classified as loans and receivables	24,876	7.5	21,752	7.4
Investment properties	4,763	1.4	4,684	1.6
Investments in associates	8,085	2.4	4,750	1.6
Other investment assets (<i>Note</i>)	3,069	0.9	2,809	0.9
Total investment assets	332,441	100.0	295,128	100.0

Note: Other investment assets mainly include derivative financial assets and deposits for capital security fund.

In the first half of 2015, the Company maintained a steady growth in the underwriting business, which provided a stable cash flow support for the investment business of the Company. The Company strengthened the existing fund management model, which provided rapid and effective fund supply channels for investment business while assuring sufficient working capital for daily operation of the Company. As a result, the amount of the investment assets of the Company at the end of the reporting period increased by RMB37,313 million (or 12.6%) compared to the end of 2014. While enlarging the overall size of the investment assets, the Company timely adjusted the composition of investment assets with reference to the circumstances of the capital market and its own risk preferences and improved the quality of the investment portfolio so as to achieve a balance between profit earning and risk taking.

In the first half of 2015, the Company actively seized the operating opportunities in the capital market and adjusted the relative percentage of equity securities held by the Company at appropriate time. In the meantime, premised on strict risk control and ensuring the safe return of principals and interests, the Company increased the investments in energy, infrastructure and real estate-related debt investment schemes and prudently purchased corporate bonds with high credit ratings and high quality, with a view to expanding the channels for fund utilisation and increasing the investment yield.

Investment Income

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

	Six months ended 30 June	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>
Rental income from investment properties	134	107
Interest income	6,159	5,108
Dividend income	1,299	687
Total	7,592	5,902

Investment income of the Company and its subsidiaries was RMB7,592 million in the first half of 2015, representing an increase of RMB1,690 million (or 28.6%) from RMB5,902 million in the first half of 2014, mainly due to the Company's continuous adoption of prudent and sound investment strategies and an increase in investments in negotiated deposits and debt investment schemes with stable income, which led to an increase in interest income by RMB1,051 million (or 20.6%) compared to the same period of last year.

Net Realised and Unrealised Gains/(Losses) on Investments

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

	Six months ended 30 June	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>
Realised gains/(losses) on investments	5,449	(54)
Unrealised gains on investments	22	80
Impairment losses	–	(495)
Fair value gains on investment properties	72	21
Total	5,543	(448)

Net realised and unrealised gains on investments of the Company and its subsidiaries were RMB5,543 million in the first half of 2015, representing an increase of RMB5,991 million compared to the net realised and unrealised losses on investments of RMB448 million in the first half of 2014. The increase was mainly due to the further optimisation of the Company's equity securities investment composition by actively seizing the operating opportunities arising from the capital market, achieving an increase of realised gains on investments by RMB5,503 million to RMB5,449 million in the first half of 2015 from a loss of RMB54 million in the first half of 2014.

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:

	Six months ended 30 June	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>
Profit before tax	18,548	10,268
Income tax expense	(4,126)	(2,478)
Profit attributable to owners of the parent	14,422	7,790
Total assets (<i>Note</i>)	426,959	366,130

Note: Based on the data as at 30 June 2015 and 31 December 2014.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB18,548 million in the first half of 2015, representing an increase of RMB8,280 million (or 80.6%) from RMB10,268 million in the first half of 2014.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB4,126 million in the first half of 2015, representing an increase of RMB1,648 million from RMB2,478 million in the first half of 2014. The increase in the income tax expense of the Company and its subsidiaries was primarily due to an increase in the profit before tax in the first half of 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit attributable to owners of the parent increased by RMB6,632 million from RMB7,790 million in the first half of 2014 to RMB14,422 million in the first half of 2015. Basic earnings per share attributable to owners of the parent in the first half of 2015 was RMB0.973.

CASH FLOWS

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

	Six months ended 30 June	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>
Net cash flows from operating activities	11,092	17,491
Net cash flows used in investing activities	(17,607)	(15,042)
Net cash flows from financing activities	7,802	2,563
Net increase in cash and cash equivalents	1,287	5,012

In the first half of 2015, the net cash flows from operating activities of the Company and its subsidiaries were RMB11,092 million, representing a decrease of RMB6,399 million (or -36.6%) from RMB17,491 million in the first half of 2014. On one hand, due to the intensifying market competition and other reasons, the amount of cash expenditure such as underwriting expenses, taxes and duties increased to some extent. On the other hand, the government finance-backed business of the Company such as critical illness insurance and agriculture insurance developed rapidly and the proportion of their business in the Company increased. As the government funding for such business had not yet been received, the premiums receivable for the first half of 2015 increased relatively faster, impacting the cash inflow.

In the first half of 2015, the net cash flows used in investing activities of the Company and its subsidiaries increased by RMB2,565 million compared to the first half of 2014, mainly due to the Company's actively seizing the operating opportunities arising from the capital market and increasing the stock and fund investments.

In the first half of 2015, the net cash flows from financing activities of the Company and its subsidiaries increased by RMB5,239 million compared to the first half of 2014, mainly from the securities sold under agreements to repurchase.

As at 30 June 2015, the cash and cash equivalents of the Company and its subsidiaries were RMB25,444 million.

LIQUIDITY

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

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

Save for the subordinated term debts mentioned above, the Company and its subsidiaries did not obtain working capital by way of 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 systems. Capital expenditure of the Company and its subsidiaries was RMB861 million in the first half of 2015.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB35,496 million on 30 June 2015. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB80,062 million and the solvency margin ratio was 226% (*Note*) on 30 June 2015.

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

GEARING RATIO

As at 30 June 2015, the gearing ratio (*Note*) of the Company and its subsidiaries was 72.9%, representing an increase of 2.5 percentage points from 70.4% as at 31 December 2014.

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

CONTINGENT EVENT

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being plaintiff or 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.

There were certain pending legal proceedings for the Company and its subsidiaries as at 30 June 2015. 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.

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. As the Company's premiums receivable involves a large number of diversified customers, there are no major credit concentration risks in insurance receivables.

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

The Company and its subsidiaries diligently manage credit risk in debt securities investment 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 corporate bonds held by the Company and its subsidiaries have credit ratings of AA or above.

The Company and its subsidiaries manage and lower the 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 part of the 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 (normally in US dollars) and certain insurance business liabilities which are denominated in foreign currencies (normally 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 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 maintenance of an appropriate match of fixed and floating interest rate instruments in order to manage interest rate risk. 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 interests 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 30 June 2015, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2015, the Company closely tracked the market focus and customer demands and submitted a total of 174 insurance provisions and premium rates to the insurance regulatory authorities for approval and filing, consisting of 94 national provisions and premium rates, 80 regional provisions and premium rates, 77 main insurance provisions and premium rates and 97 rider provisions and premium rates.

As at 30 June 2015, the Company had 6,852 insurance provisions in operation and use, of which 4,532 are national provisions and 2,320 are regional provisions.

EMPLOYEES

As at 30 June 2015, the Company had 163,718 employees. In the first half of 2015, the Company and its subsidiaries paid a total remuneration of RMB14,657 million to their employees, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

In 2015, the progressive implementation of the Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry, the establishment of Asian Infrastructure Investment Bank and the implementation of the "One Belt and One Road" strategy brought historic new business opportunities and more room for development of the insurance industry in China. However, the Company faces greater challenges in the course of its development due to factors such as intensifying market competition and accelerated facilitation of deregulation of commercial motor vehicle insurance premium rate. Faced with the complex and volatile external conditions, the

Company will, by adhering to the basic principle of assuring “sustainability, value, quality and profitability”, take the initiative to grasp business opportunities and meet challenges by focusing on the following four areas to ensure satisfactory completion of its targets for this year:

- Seize the trends arising from the development of the auto market and changes in the motor vehicle insurance market competition, proactively respond to and deal with the reform of commercial motor vehicle insurance and enhance the development capacity of motor vehicle insurance;
- Seize the trends arising from the development of the non-motor insurance market and demands for insurance services under the “new normal” economy, speed up the expansion of the potential market and enhance the development capacity of the non-motor insurance;
- Seize the trends arising from changes in consumer behavior and development of the insurance industry in the internet era, speed up the layout of the internet insurance business and promote full transformation towards a customer-oriented business mode;
- Continuously strengthen cost control, optimise the business and cost structures and insist on development with profitability.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as at 30 June 2015 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

Changes in Directors during the period from 1 January 2015 to the date of this interim report are as follows:

At the annual general meeting of the Company held on 26 June 2015, Directors of the fourth session of the Board were elected, where Mr Wu Yan, Mr Guo Shengchen and Mr Wang He were re-elected as Executive Directors, Mr Wang Yincheng, Ms Yu Xiaoping and Mr Li Tao as Non-executive Directors and Mr Liao Li and Mr Lin Hanchuan as Independent Non-executive Directors, and Mr Lin Zhiyong was newly appointed as an Executive Director, Mr David Xianglin Li as a Non-executive Director and Mr Lo Chung Hing, Mr Na Guoyi and Mr Ma Yusheng as Independent Non-executive Directors, with a term of three years commencing from 26 June 2015. The Directors re-elected Mr Wu Yan as the Chairman of the Board and Mr Guo Shengchen as the Vice Chairman of the Board.

Mr Luk Kin Yu, Peter resigned as an Independent Non-executive Director with effect from 12 January 2015 and ceased to act as a member of the Audit Committee and the Nomination, Remuneration and Review Committee of the Company simultaneously. Mr Zhou Shurui resigned as a Non-executive Director with effect from 20 March 2015 and ceased to act as a member of the Risk Management and Investment Decision-making Committee of the Company simultaneously. Mr Ding Ningning retired as an Independent Non-executive Director with effect from 26 June 2015 and ceased to act as the Chairman of the Nomination, Remuneration and Review Committee of the Company and a member of the Audit Committee and the Strategic Planning Committee of the Company simultaneously.

On the date of this interim report, the Board comprises:

Mr Wu Yan (*Chairman of the Board, Executive Director*)
Mr Guo Shengchen (*Vice Chairman of the Board, Executive Director*)
Mr Wang Yincheng (*Non-executive Director*)
Ms Yu Xiaoping (*Non-executive Director*)
Mr Li Tao (*Non-executive Director*)
Mr David Xianglin Li (*Non-executive Director*)
Mr Wang He (*Executive Director*)
Mr Lin Zhiyong (*Executive Director*)
Mr Liao Li (*Independent Non-executive Director*)
Mr Lin Hanchuan (*Independent Non-executive Director*)
Mr Lo Chung Hing (*Independent Non-executive Director*)
Mr Na Guoyi (*Independent Non-executive Director*)
Mr Ma Yusheng (*Independent Non-executive Director*)

OTHER INFORMATION

Changes in the members of the Supervisory Committee from 1 January 2015 to the date of this interim report are as follows:

At the annual general meeting of the Company held on 26 June 2015, Supervisors of the fourth session of the Supervisory Committee were elected, where Mr Li Zhuyong was newly appointed as a Supervisor and Mr Ding Ningning as an Independent Supervisor, and Mr Lu Zhengfei was re-elected as an Independent Supervisor, with a term of three years commencing from 26 June 2015. The Supervisors re-elected Mr Wang Yueshu as the Chairman of the Supervisory Committee.

Mr Sheng Hetai retired as a Supervisor with effect from 26 June 2015.

On the date of this interim report, the Supervisory Committee comprises:

Mr Wang Yueshu (*Chairman of the Supervisory Committee*)

Mr Li Zhuyong (*Supervisor*)

Mr Ding Ningning (*Independent Supervisor*)

Mr Lu Zhengfei (*Independent Supervisor*)

Ms Qu Yonghuan (*Employee Representative Supervisor*)

Mr Shen Ruiguo (*Employee Representative Supervisor*)

The qualifications of the above newly appointed Directors and Supervisors are subject to the approval of the CIRC.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

There has been no change in the information on the Directors from 1 January 2015 to the date of this interim report, which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Mr Li Zhuyong, a Supervisor, is also a Director of The People's Insurance Company of China (Hong Kong), Ltd., a Director of Beijing No. 88 West Chang'an Avenue Development Company Limited, a part-time professor of China University of Political Science and Law and an extramural tutor of the Law School of Renmin University of China.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Guidelines") that are applicable to Directors, Supervisors and all employees, and the terms of the Guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors, including the newly appointed Directors and Supervisors, and they all confirmed that they complied with the requirements under the Model Code and the Guidelines during the first half of 2015 when they were in office.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2015, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Group	Beneficial owner	10,228,980,980 <i>(Note 1)</i>	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
AIG	Interest of corporation controlled by the substantial shareholder, beneficial owner	1,212,022,240 <i>(Note 2)</i>	Long position	26.35%	8.17%
AIG Property Casualty Company	Beneficial owner	748,691,343 <i>(Notes 2&3)</i>	Long position	16.28%	5.05%
Lexington Insurance Company	Beneficial owner	278,924,225 <i>(Notes 2&3)</i>	Long position	6.06%	1.88%

Notes:

- The number of shares held by PICC Group and its percentage of shareholding were based on that recorded in the Company's register of members of domestic shareholders as at 30 June 2015, which also represent the shareholding status of PICC Group after the completion of the rights issues of the Company in 2011, 2013 and 2014 (collectively, the "Rights Issues").
- As set out in the latest disclosure of interests notice made by AIG, among 1,212,022,240 H shares held by AIG, 1,027,615,568 H shares were held by AIG in the capacity as interest of corporation controlled by the substantial shareholder, of which 748,691,343 H shares and 278,924,225 H shares were held by AIG Property Casualty Company and Lexington Insurance Company, being corporations controlled by AIG, respectively, 184,406,672 H shares were held by AIG in the capacity as a beneficial owner; and AIG owned 100% shareholding in AIG Property Casualty Company and Lexington Insurance Company.
- To the knowledge of the Company, the numbers of shares held by Birmingham Fire Insurance Company of Pennsylvania (now known as "AIG Property Casualty Company") and Lexington Insurance Company set out in the disclosure of interests notices available on the website of the Hong Kong Stock Exchange as at 30 June 2015 were the numbers of shares held prior to the Rights Issues. The numbers of shares held by these companies changed and were stated in the above latest disclosure of interests notice made by AIG.

OTHER INFORMATION

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 30 June 2015.

INTERIM DIVIDEND

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2015.

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 in the first half of 2015.

CORPORATE GOVERNANCE

Save for the deviation from code provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code in the first half of 2015.

According to code provision A.4.2 of the Corporate Governance Code, every director shall be subject to retirement by rotation at least once every three years. The terms of office of Mr Luk Kin Yu, Peter and Mr Ding Ningning, former Independent Non-executive Directors, should have expired on 28 April 2011 and 17 January 2012 respectively, and the terms of all the other Directors should have expired on 16 January 2014. However, in accordance with the provisions of the Company Law, where a director has not been re-elected upon the expiry of his/her term of office or due to the resignation of a director, the number of directors is less than the statutory minimum number, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Therefore, although the terms of office of Mr Luk Kin Yu, Peter, Mr Ding Ningning and all the other Directors had expired, they continued to serve as Directors until the newly elected directors commenced their terms of office. Afterwards, Mr Luk Kin Yu, Peter resigned as an Independent Non-executive Director on 12 January 2015 and Mr Zhou Shurui resigned as a Non-executive Director on 20 March 2015. At the annual general meeting of the Company held on 26 June 2015, Directors of the fourth session of the Board were elected for a term of three years with effect from 26 June 2015. On the same day, Mr Ding Ningning retired as an Independent Non-executive Director. As a result, the Company was not in compliance with the requirement of the Corporate Governance Code with respect to retirement of every director by rotation during the period from 29 April 2011 to 25 June 2015.

According to the requirement of Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Following the resignation of Mr Luk Kin Yu, Peter as an Independent Non-executive Director on 12 January 2015, the Board of Directors comprised ten members, including three Executive Directors, four Non-executive Directors and three Independent Non-executive Directors, which was not in compliance with the requirement of Rule 3.10A of the Listing Rules. Following the resignation of Mr Zhou Shurui as a Non-executive Director on 20 March 2015, the Board of Directors comprised nine members and the number of Independent Non-executive Directors represented one-third of the total number of members of the Board, therefore the Company re-complied with Rule 3.10A of the Listing Rules. Following the election of Directors of the fourth session of the Board at the annual general meeting of the Company held on 26 June 2015, the Board comprises thirteen members, including four Executive Directors, four Non-executive Directors and five Independent Non-executive Directors, and the Company continues to comply with the requirement of Rule 3.10A of the Listing Rules.

REVIEW OF INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2015.

By Order of the Board

Wu Yan

Chairman

Beijing, the PRC

28 August 2015

DEFINITIONS

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

“AIG”	American International Group, Inc.
“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

