

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 2016



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	36
Discussion and Analysis of Operating Results and Financial Conditions	37
Other Information	52
Definitions	56

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
GROSS WRITTEN PREMIUMS	4	161,893	146,232
Net earned premiums	4	129,156	115,740
Net claims incurred	5	(77,726)	(71,116)
Net policy acquisition costs		(30,872)	(24,825)
Other underwriting expenses		(10,459)	(9,551)
Administrative expenses		(3,653)	(4,057)
UNDERWRITING PROFIT		6,446	6,191
Investment income	6	8,002	7,592
Net realised and unrealised (losses)/gains on investments	7	(558)	5,543
Investment related expenses		(128)	(445)
Exchange gains/(losses), net		139	(19)
Sundry income		154	161
Sundry expenses		(68)	(75)
Finance costs	8	(516)	(788)
Share of profits of associates		157	388
PROFIT BEFORE TAX	9	13,628	18,548
Income tax expense	10	(2,980)	(4,126)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		10,648	14,422
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	12	0.718	0.973

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	10,648	14,422
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value (losses)/gains	(4,366)	9,289
– Reclassification of losses/(gains) to profit or loss on disposals	515	(5,174)
Income tax effect	963	(1,029)
	(2,888)	3,086
Net (losses)/gains on cash flow hedges	(4)	5
Income tax effect	1	(1)
	(3)	4
Share of other comprehensive (expense)/income of associates	(133)	285
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(3,024)	3,375
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	145	101
Income tax effect	(36)	(25)
	109	76
NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	109	76
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX	(2,915)	3,451
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	7,733	17,873

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
ASSETS			
Cash and cash equivalents	13	21,111	22,828
Derivative financial assets		4	8
Debt securities	14	113,810	107,404
Equity securities and mutual funds	15	62,049	68,714
Insurance receivables, net	16	44,933	19,317
Reinsurance assets	17	27,769	26,426
Term deposits	18	87,109	98,663
Investments classified as loans and receivables	19	42,489	30,052
Prepayments and other assets		15,638	16,180
Investments in associates		10,890	8,584
Investment properties	20	4,831	4,783
Property, plant and equipment	21	14,278	14,110
Prepaid land premiums		3,286	3,351
Deferred tax assets		3,766	–
TOTAL ASSETS		451,963	420,420
LIABILITIES			
Payables to reinsurers	22	16,191	9,141
Accrued insurance protection fund		746	741
Securities sold under agreements to repurchase		20,984	23,688
Income tax payable		3,567	2,943
Other liabilities and accruals		44,636	39,107
Insurance contract liabilities	17	240,189	217,288
Policyholders' deposits		2,363	2,226
Subordinated debts		11,111	16,297
Deferred tax liabilities		–	38
TOTAL LIABILITIES		339,787	311,469
EQUITY			
Issued capital	23	14,828	14,828
Reserves		97,343	94,118
Equity attributable to owners of the parent		112,171	108,946
Non-controlling interests		5	5
TOTAL EQUITY		112,176	108,951
TOTAL EQUITY AND LIABILITIES		451,963	420,420

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Six month ended 30 June 2016 (Unaudited)	Attributable to owners of the parent											Non- controlling interests	Total equity											
	Issued capital <i>RMB</i> <i>million</i>	Share premium <i>RMB</i> <i>million</i>	Asset revaluation reserve** <i>RMB</i> <i>million</i>	Available- for-sale investment revaluation reserve <i>RMB</i> <i>million</i>	Cash flow hedging reserve <i>RMB</i> <i>million</i>	Surplus reserve*** <i>RMB</i> <i>million</i>	General risk reserve <i>RMB</i> <i>million</i>	Agriculture catastrophic loss reserve <i>RMB</i> <i>million</i>	Share of other comprehensive income of associates <i>RMB</i> <i>million</i>	Retained profits <i>RMB</i> <i>million</i>	Total <i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>											
														Total										
														Total										
Balance at 1 January 2016	14,828	18,986*	2,673*	10,174*	6*	30,804*	7,527*	1,885*	379*	21,684*	108,946	5	108,951											
Profit for the period	-	-	-	-	-	-	-	-	-	10,648	10,648	-	10,648											
Other comprehensive income/(expense)	-	-	109	(2,888)	(3)	-	-	-	(133)	-	(2,915)	-	(2,915)											
Total comprehensive income/(expense)	-	-	109	(2,888)	(3)	-	-	-	(133)	10,648	7,733	-	7,733											
2015 final dividend****	-	-	-	-	-	-	-	-	-	(4,508)	(4,508)	-	(4,508)											
Balance at 30 June 2016	14,828	18,986*	2,782*	7,286*	3*	30,804*	7,527*	1,885*	246*	27,824*	112,171	5	112,176											

* The consolidated reserves of RMB97,343 million (31 December 2015: RMB94,118 million) in the condensed consolidated statement of financial position as at 30 June 2016 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 24 June 2016, the shareholders of the Company at a general meeting approved a final dividend of RMB0.304 per ordinary share totalling RMB4,508 million for the year ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

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 revaluation reserve	Cash flow hedging reserve	Surplus reserve***	General risk reserve	Agriculture catastrophic loss reserve	Share of other comprehensive income of associates	Retained profits	Total		
Balance at 1 January 2015	14,828	18,986*	2,510*	5,300*	10*	28,674*	5,397*	721*	79*	9,265*	85,770	5	85,775
Profit for the period	-	-	-	-	-	-	-	-	-	14,422	14,422	-	14,422
Other comprehensive income	-	-	76	3,086	4	-	-	-	285	-	3,451	-	3,451
Total comprehensive income	-	-	76	3,086	4	-	-	-	285	14,422	17,873	-	17,873
2014 final dividend****	-	-	-	-	-	-	-	-	-	(4,004)	(4,004)	-	(4,004)
Balance at 30 June 2015	14,828	18,986*	2,586*	8,386*	14*	28,674*	5,397*	721*	364*	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 RMB0.270 per ordinary share totalling RMB4,004 million for the year ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	10,581	15,005
Income tax paid	(5,232)	(3,913)
Net cash flows from operating activities	5,349	11,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,485	5,926
Payment for acquisition of associates	(2,500)	(2,790)
Payment for purchase of debt securities, equity securities and mutual funds	(47,639)	(43,268)
Payment for purchase of investments classified as loans and receivables	(13,260)	(3,731)
Proceeds from sale of investments classified as loans and receivables	823	607
Proceeds from sale of debt securities, equity securities and mutual funds	44,566	35,684
Decrease/(increase) in term deposits, net	11,563	(10,756)
Others	999	721
Net cash flows from/(used in) investing activities	1,037	(17,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for redemption of subordinated debts	(5,000)	(6,000)
(Decrease)/increase in securities sold under agreements to repurchase, net	(2,704)	14,750
Others	(399)	(948)
Net cash flows (used in)/from financing activities	(8,103)	7,802
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	22,828	24,157
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,111	25,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2015.

(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.

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

Except for the adoption of new amendments to standard effective on 1 January 2016 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015. The Group has not early adopted any new standard, interpretation or amendment that has been issued but not yet effective.

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

(b) Significant accounting policies (*continued*)

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

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

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

Amendments to HKAS 1 – Disclosure Initiative

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

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

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

As a result of these changes, certain items in the OCI section of the condensed consolidated statement of comprehensive income were reclassified to conform to these new requirements. A reserve is also separately established to record the cumulative share of OCI arising from associates in the condensed consolidated statement of changes in equity.

Apart from this, none of the above amendments to HKFRSs, however, have had a material impact on the financial position or performance of the Group for the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 results 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 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2016 and 2015 are as follows:

Six months ended 30 June 2016 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle <i>RMB million</i>	Commercial property <i>RMB million</i>	Cargo <i>RMB million</i>	Liability <i>RMB million</i>	Accidental injury and health <i>RMB million</i>	Agriculture <i>RMB million</i>	Others <i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Gross written premiums	108,397	7,804	1,614	7,323	16,429	12,777	7,549	–	161,893
Net earned premiums	102,211	4,038	1,114	4,673	8,957	4,855	3,308	–	129,156
Net claims incurred	(59,819)	(2,038)	(448)	(2,587)	(7,870)	(3,130)	(1,834)	–	(77,726)
Net policy acquisition costs	(27,726)	(943)	(305)	(1,087)	(580)	297	(528)	–	(30,872)
Other underwriting expenses	(7,663)	(526)	(53)	(413)	(383)	(871)	(550)	–	(10,459)
Administrative expenses	(2,344)	(279)	(109)	(196)	(106)	(340)	(279)	–	(3,653)
Underwriting profit	4,659	252	199	390	18	811	117	–	6,446
Investment income	–	–	–	–	–	–	–	8,002	8,002
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(558)	(558)
Investment related expenses	–	–	–	–	–	–	–	(128)	(128)
Exchange gains, net	–	–	–	–	–	–	–	139	139
Finance costs	–	–	–	–	–	–	–	(516)	(516)
Sundry income and expenses, net	–	–	–	–	–	–	–	86	86
Share of profits of associates	–	–	–	–	–	–	–	157	157
Profit before tax	4,659	252	199	390	18	811	117	7,182	13,628
Income tax expense	–	–	–	–	–	–	–	(2,980)	(2,980)
Profit attributable to owners of the parent – segment results	4,659	252	199	390	18	811	117	4,202	10,648

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2015 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle <i>RMB million</i>	Commercial property <i>RMB million</i>	Cargo <i>RMB million</i>	Liability <i>RMB million</i>	Accidental injury and health <i>RMB million</i>	Agriculture <i>RMB million</i>	Others <i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
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)
Net 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 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2016 and 31 December 2015 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
30 June 2016 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	11,972	11,530	1,723	6,296	11,482	14,747	17,591	376,622	451,963
Segment liabilities	177,196	17,970	3,097	16,108	19,480	18,696	22,805	64,435	339,787

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
31 December 2015 (Audited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	9,913	8,483	1,340	4,422	4,500	5,881	14,084	371,797	420,420
Segment liabilities	171,110	15,214	2,993	13,756	11,960	11,282	20,002	65,152	311,469

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/(loss) attributable to owners of the parent 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 2016

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
Gross written premiums		
Direct written premiums	161,562	145,926
Reinsurance premiums assumed	331	306
	161,893	146,232
Net earned premiums		
Gross written premiums	161,893	146,232
Less: Reinsurance premiums ceded	(16,483)	(15,917)
Net written premiums	145,410	130,315
Gross change in unearned premium reserves	(17,846)	(15,633)
Less: Reinsurer's share of change in unearned premium reserves	1,592	1,058
Net change in unearned premium reserves	(16,254)	(14,575)
Net earned premiums	129,156	115,740

5. NET CLAIMS INCURRED

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
Gross claims paid	80,732	70,541
Less: Paid losses recoverable from reinsurers	(8,310)	(8,039)
Net claims paid	72,422	62,502
Gross change in loss and loss adjustment expense reserves	5,055	8,167
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	249	447
Net change in loss and loss adjustment expense reserves	5,304	8,614
Net claims incurred	77,726	71,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INVESTMENT INCOME

	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
Operating lease income from investment properties	125	134
Interest income		
Current and term deposits	2,727	2,869
Debt securities		
– Held-to-maturity	1,061	1,047
– Available-for-sale	1,436	1,595
– Held-for-trading	14	29
Derivative financial assets	14	4
Investments classified as loans and receivables	1,011	615
Subtotal	6,263	6,159
Dividend income from equity securities and mutual funds		
– Available-for-sale	1,437	1,226
– Held-for-trading	177	73
Subtotal	1,614	1,299
Total	8,002	7,592

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	61	33
– Held-for-trading	12	5
Equity securities and mutual funds		
– Available-for-sale	(576)	5,141
– Held-for-trading	(90)	270
Unrealised (losses)/gains from:		
Debt securities classified as held-for-trading	(7)	3
Equity securities and mutual funds classified as held-for-trading	(15)	19
Fair value gains on investment properties	57	72
	(558)	5,543

8. FINANCE COSTS

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
Interest on securities sold under agreements to repurchase	253	382
Interest on subordinated debts	250	391
Other finance costs	13	15
	516	788

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. PROFIT BEFORE TAX

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

	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
Employee expenses	14,805	14,657
Depreciation of property, plant and equipment	774	886
Amortisation of prepaid land premiums	94	72
Impairment losses on insurance receivables	364	546
Impairment losses on prepayments and other assets	189	–
Minimum lease payments under operating leases in respect of land and buildings	326	335

10. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2015: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
Current		
– Charge for the period	5,857	6,540
– Adjustment in respect of current tax of previous periods	–	6
Deferred	(2,877)	(2,420)
Total tax charge for the period	2,980	4,126

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 2016.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	10,648	14,422
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	14,828	14,828
Basic earnings per share (in RMB)	0.718	0.973

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 2016 and 2015 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million (Audited)
Demand deposits	15,904	12,581
Securities purchased under resale agreements with original maturity of less than three months	3,919	9,591
Deposits with banks with original maturity of less than three months	1,288	656
	21,111	22,828
Classification of cash and cash equivalents:		
Loans and receivables	21,111	22,828

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals as at 30 June 2016 and 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. DEBT SECURITIES

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Classification of debt securities:		
Held-for-trading, at fair value	2,007	445
Available-for-sale, at fair value	70,846	64,701
Held-to-maturity, at amortised cost	40,957	42,258
	113,810	107,404

15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Investments, at fair value:		
Shares	27,237	31,256
Mutual funds	25,360	28,744
Preferred shares	5,782	5,654
Equity schemes	3,411	2,800
Perpetual bonds	259	260
	62,049	68,714

Equity schemes are structured entities which are set up for investing in one or more equity investments. The underlying equity investments of these equity schemes are usually determined at inception of these schemes and any changes to, or additional investments in, the underlying equity investments of any particular scheme requires support from two-thirds of the beneficiary interests in that scheme.

The Group did not guarantee or provide any financing support for these equity schemes, and considers that the carrying amount of these equity schemes represents the Group's maximum risk exposure.

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Classification of equity securities and mutual funds:		
Held-for-trading, at fair value	10,053	14,576
Available-for-sale, at fair value	51,996	54,138
	62,049	68,714

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. INSURANCE RECEIVABLES, NET

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Premiums receivable and agents' balances	30,100	9,823
Receivables from reinsurers	18,066	12,366
	48,166	22,189
Less: Impairment provision on		
Premiums receivable and agents' balances	(3,039)	(2,684)
Receivables from reinsurers	(194)	(188)
	44,933	19,317

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

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Not yet due	20,513	14,609
Within 1 month	6,416	893
1 to 3 months	7,260	1,691
3 to 6 months	8,744	793
6 to 12 months	986	1,079
1 to 2 years	917	163
Over 2 years	97	89
	44,933	19,317

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB234 million (31 December 2015: RMB100 million). Please refer to note 28(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. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premiums receivable relates to a large number of diversified customers and therefore there is no significant concentration of credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. INSURANCE RECEIVABLES, NET (continued)

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above 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.

17. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Gross amount	Reinsurers'		Gross amount	Reinsurers'	
		share	Net amount		share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	120,761	(10,899)	109,862	102,915	(9,307)	93,608
Loss and loss adjustment expense reserves	119,428	(16,870)	102,558	114,373	(17,119)	97,254
	240,189	(27,769)	212,420	217,288	(26,426)	190,862

18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
More than 3 months to 1 year	716	962
1 to 2 years	8	8
2 to 3 years	1,045	1,355
More than 3 years	85,340	96,338
	87,109	98,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Long-term debt investment schemes	28,032	23,462
Asset management products	11,107	3,240
Trust plans	2,850	2,850
Subordinated debts held	500	500
	42,489	30,052

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 50% of the total funds raised. The interest rates of these Debt Schemes are 4.30%-7.20% (31 December 2015: 4.53%-7.20%) per annum as at 30 June 2016.

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 2015: 5.60%) per annum as at 30 June 2016.

20. INVESTMENT PROPERTIES

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
At 1 January	4,783	4,684
Transfers from property, plant and equipment and prepaid land premiums	66	101
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	145	101
Increase in fair value of investment properties during the period	57	72
Transfers to property, plant and equipment	(220)	(195)
At 30 June	4,831	4,763

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 2016 and 31 December 2015, none of the Group's investment properties were pledged to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with a cost of RMB330 million (six months ended 30 June 2015: RMB244 million) and incurred construction costs of RMB461 million (six months ended 30 June 2015: RMB462 million) for construction in progress.

Assets with a net book value of RMB19 million were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB21 million), resulting in a net disposal gain of RMB31 million (six months ended 30 June 2015: RMB27 million).

During the six months ended 30 June 2016, construction in progress with an aggregate amount of RMB30 million (six months ended 30 June 2015: RMB27 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2016, property, plant and equipment with a carrying amount of RMB66 million (six months ended 30 June 2015: RMB86 million) was transferred to investment properties, and investment properties with a carrying amount of RMB220 million (six months ended 30 June 2015: RMB195 million) was transferred to property, plant and equipment.

22. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Reinsurance payables	16,191	9,141

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB252 million (31 December 2015: RMB110 million). Please refer to note 28(c) for details.

23. ISSUED CAPITAL

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
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 2016

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, derivative financial assets, debt securities, equity securities and mutual funds, investments classified as loans and receivables, securities sold under agreements to repurchase and subordinated debts, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables and payables to reinsurers. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying amount		Fair value	
	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million (Audited)	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million (Audited)
Financial assets				
Derivative financial assets	4	8	4	8
Held-for-trading				
– Equity securities and mutual funds	10,053	14,576	10,053	14,576
– Debt securities	2,007	445	2,007	445
Available-for-sale				
– Equity securities and mutual funds	51,996	54,138	51,996	54,138
– Debt securities	70,846	64,701	70,846	64,701
Held-to-maturity investment				
– Debt securities	40,957	42,258	44,954	46,565
Loans and receivables				
– Cash and cash equivalents	21,111	22,828	21,111	22,828
– Term deposits	87,109	98,663	87,109	98,663
– Investments classified as loans and receivables	42,489	30,052	46,919	33,830
– Insurance receivables, net	44,933	19,317	44,933	19,317
– Other assets	14,062	14,556	14,062	14,556
Total financial assets	385,567	361,542	393,994	369,627
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	16,191	9,141	16,191	9,141
– Accrued insurance protection fund	746	741	746	741
– Securities sold under agreements to repurchase	20,984	23,688	20,984	23,688
– Policyholders' deposits	2,363	2,226	2,363	2,226
– Subordinated debts	11,111	16,297	13,229	19,065
– Other liabilities	29,355	22,758	29,355	22,758
Total financial liabilities	80,750	74,851	82,868	77,619

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the 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.

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(2) Determination of fair value and the fair value hierarchy (continued)

(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 fair value and the level of fair value hierarchy are disclosed below:

30 June 2016 (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	186	44,768	–	44,954
– Investments classified as loans and receivables	–	46,919	–	46,919
Financial liabilities				
– Subordinated debts	–	13,229	–	13,229

31 December 2015 (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	1,871	44,694	–	46,565
– Investments classified as loans and receivables	–	33,830	–	33,830
Financial liabilities				
– Subordinated debts	–	19,065	–	19,065

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 2016

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(2) Determination of fair value and the 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 2016 RMB million (Unaudited)	31 December 2015 RMB million (Audited)		
Trading debt securities	126	–	Level 1	Quoted bid prices in an active market.
Trading debt securities	1,881	445	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	10,053	14,576	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	6,694	8,437	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	64,152	56,264	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	41,633	28,707	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	5,574	5,454	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and dividend rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities	2,154	17,529	Level 3	The fair value is determined with reference to the quoted market price or latest transacted prices with an adjustment of discount for lack of marketability as appropriate.
Available-for-sale equity securities	935	548	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities	1,700	1,700	Level 3	Discounted cash flow with future cash flows that are estimated based on contractual amounts and dividend rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities	–	200	Level 3	Discounted cash flow with future cash flows that are estimated based on projected future cash flow of operating business, discounted at an appropriate rate.
Derivative financial assets – Interest rate swaps	4	8	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 2016

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the 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 2016 (Unaudited)	Level 1 <i>RMB million</i>	Level 2 <i>RMB million</i>	Level 3 <i>RMB million</i>	Total <i>RMB million</i>
Derivative financial assets				
– Interest rate swaps	–	4	–	4
Financial assets held for trading				
– Equity securities and mutual funds	10,053	–	–	10,053
– Debt securities	126	1,881	–	2,007
Available-for-sale investments				
– Equity securities and mutual funds	41,633	5,574	4,789	51,996
– Debt securities	6,694	64,152	–	70,846
	58,506	71,611	4,789	134,906
As at 31 December 2015 (Audited)	Level 1 <i>RMB million</i>	Level 2 <i>RMB million</i>	Level 3 <i>RMB million</i>	Total <i>RMB million</i>
Derivative financial assets				
– Interest rate swaps	–	8	–	8
Financial assets held for trading				
– Equity securities and mutual funds	14,576	–	–	14,576
– Debt securities	–	445	–	445
Available-for-sale investments				
– Equity securities and mutual funds	28,707	5,454	19,977	54,138
– Debt securities	8,437	56,264	–	64,701
	51,720	62,171	19,977	133,868

For the six months ended 30 June 2016, available-for-sale debt securities with carrying amount of RMB1,348 million (for the six months ended 30 June 2015: RMB1,204 million) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, available-for-sale debt securities with carrying amount of RMB1,517 million (for the six months ended 30 June 2015: RMB732 million) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(2) Determination of fair value and the fair value hierarchy (continued)

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

There were no transfers into Level 3 for the six months ended 30 June 2016 and 2015.

At as 30 June 2016, unobservable inputs such as liquidity discount and discount rate were used in the valuation of assets at fair value classified as Level 3. In the opinion of the directors, the fair value of the respective financial assets would not be significantly affected by reasonable changes in these unobservable inputs.

(c) Reconciliation of Level 3 fair value measurements

Available-for-sale equity securities	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
At 1 January	19,977	13,851
Addition	280	900
Transfer out (note)	(15,850)	–
Unrealised gains recognised in other comprehensive income	382	891
At 30 June	4,789	15,642

Note: On 7 January 2016, the lock-up period of Industrial Bank Co., Ltd. (“IBC”) shares has expired, and consequently the Group transferred the IBC shares with a carrying amount of RMB15,850 million from level 3 to level 1.

25. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2016. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

26. 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 two year to twenty years (31 December 2015: two to twenty years).

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

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Within one year	166	186
In the second to fifth years, inclusive	185	206
After five years	35	50
	386	442

(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 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Within one year	264	356
In the second to fifth years, inclusive	658	765
After five years	221	245
	1,143	1,366

27. CAPITAL AND INVESTMENT COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments:

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Contracted, but not provided for: Property, plant and equipment	2,041	1,782

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

27. CAPITAL AND INVESTMENT COMMITMENTS (continued)

(b) Investment commitments

On 28 December 2015, the Company entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft (“Deutsche Bank”), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien (“Sal. Oppenheim”) and Deutsche Bank Luxembourg S.A. (“Deutsche Bank Luxembourg”), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to the Company 877,302,599 shares, 267,072,000 shares and 991,671,286 shares of Hua Xia Bank Co., Limited (“Hua Xia Bank”), respectively, held by them (amounting to a total of 2,136,045,885 shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and the Company conditionally agreed to purchase these shares. This share transfer to purchase the said shares of Hua Xia Bank is not transferable to other parties. Based on the said share transfer agreement, the total considerations of such transaction is estimated at between RMB23.0 billion to RMB25.7 billion by the Company and will be paid in cash. Also, pursuant to relevant regulatory requirements, the Company has provided an undertaking not to transfer these shares within five years on completion of the transaction. At the date of approving these condensed consolidated financial statements, such transaction is still subject to regulatory approval, among others.

28. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2016 RMB million (Unaudited)	Six months ended 30 June 2015 RMB million (Unaudited)
Transactions with the holding company:		
Rental expense and WAN service fees	47	46
Transactions with fellow subsidiaries:		
Management fee	77	75
Premiums ceded	249	254
Reinsurance commission income	87	95
Paid losses recoverable from reinsurers	128	133
Brokerage commission expense	48	90
Transactions with associates:		
Premiums paid	13	96
Agency services commission received	83	34
Agency services commission paid	91	41
Transactions with an associate of PICC Group:		
Interest income	72	71
Dividend income	775	542
Interest expenses	15	15
Claims paid	44	14

28. 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

28. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	30 June 2016 <i>RMB million</i> (Unaudited)	31 December 2015 <i>RMB million</i> (Audited)
Cash and cash equivalents:		
An associate of PICC Group	976	373
Term deposits:		
An associate of PICC Group	500	500
Debt securities:		
An associate of PICC Group	2,071	2,070
Equity securities:		
An associate of PICC Group	19,186	21,103
Receivables from reinsurers:		
A fellow subsidiary (note 16)	234	100
Loans and receivables:		
An associate of PICC Group	1,208	13
Due from related parties:		
The PICC Group	234	116
Fellow subsidiaries	41	29
An associate	12	–
An associate of PICC Group	113	106
Payables to reinsurers:		
A fellow subsidiary (note 22)	252	110
Due to related parties:		
Fellow subsidiaries	79	43
An associate of PICC Group	18	5
Subordinated debts issued to:		
An associate of PICC Group	455	453

28. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties *(continued)*

On 23 June 2016, the Company, PICC Health and other shareholders of PICC Health entered into a share subscription agreement. Pursuant to this agreement, the Company subscribed approximately 2,119 million shares of PICC Health through private placement at a consideration of RMB2,500 million and on completion of the subscription, the Company held 24.73% interests in PICC Health. On 30 June 2016, the capital injection of PICC Health was approved by CIRC. Therefore, PICC Health was accounted for as an associate of the Company under equity method as from that date. Previously, the Group held no direct or indirect interests in PICC Health.

PICC Life and PICC Health are both associates of the Company and fellow subsidiaries of the Company as their parent company is PICC Group. In the above note, PICC Life and PICC Health are included in “An associate” and excluded from “Fellow subsidiaries”.

The balances with the 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 are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

No transactions have been entered with the key management personnel during the six months ended 30 June 2016 other than the emoluments paid to them (being the key management personnel compensation).

29. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2016.

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 35, which comprise the condensed consolidated statement of financial position as at 30 June 2016 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 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 of the Company 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
26 August 2016

OVERVIEW

In 2016, the progressive implementation of the Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry, the deepening facilitation of the supply-side structural reform and the steady implementation of “the Belt and Road” Initiative brought more room for development of the insurance industry in China and historic new business opportunities. Meanwhile, the Company faces greater challenges in the course of its development due to factors such as intensifying insurance market competition, continued facilitation of deregulation of premium rates of commercial motor vehicle insurance and the replacement of business tax with Value-Added Tax.

In the first half of 2016, confronted with the complex and changing economic environment at home and abroad and the increasingly competitive market conditions, the Company, by focusing on the two key objectives of development by market benchmarking and profitability outperforming other market players, continuously promoted its development abilities, profit making abilities and service capabilities. As a result, the Company gained the first-mover advantage in the deregulation of premium rates of commercial motor vehicle insurance, securely ranked first in incremental premium income and reversed the declining trend of its market share. The Company continued to leverage its professional skills to enhance its leading position in the underwriting profitability, and outperformed the market peers in terms of business development and underwriting results.

- **Declining market share reversed and market position further reinforced.** In the first half of 2016, the gross written premiums of the Company and its subsidiaries reached RMB161,893 million, representing an increase of 10.7% compared to the same period of last year. The incremental premium income reached RMB15,636 million which remained at the top position in the industry. In particular, the gross written premiums of the motor vehicle insurance segment amounted to RMB108,397 million, representing an increase of 9.7% compared to the same period of last year, and the gross written premiums of the non-motor insurance business amounted to RMB53,496 million, representing an increase of 12.8% compared to the same period of last year. The Company’s market share in the PRC property and casualty insurance market is 34.9% (*Note*), representing an increase of 0.7 and 1.5 percentage points compared to the interim and the end of 2015 respectively, reversing the declining trend of its market share since its listing. The Company’s market position was further reinforced.

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

- **Underwriting results hitting another record high and return on equity outperforming the market.** In the first half of 2016, the Company and its subsidiaries achieved a combined ratio of 95.0%, lower than the average level in the industry; underwriting profit was RMB6,446 million, representing an increase of 4.1% compared to the same period of last year; however, as influenced by the volatility of the capital market, total investment income decreased substantially compared to the same period of last year, and as a result, profit attributable to owners of the parent was RMB10,648 million, representing a decrease of 26.2% compared to the same period of last year; the annualised return on equity was 19.3%, representing a leading position in the industry.
- **Steady enhancement of the comprehensive strengths and more outstanding inherent quality.** As at 30 June 2016, the total assets, shareholders’ equity and investment assets of the Company and its subsidiaries grew steadily. Its total assets reached RMB451,963 million, representing an increase of 7.5% compared to the end of 2015; the total shareholders’ equity reached RMB112,176 million, representing an increase of 3.0% compared to the end of 2015; the total amount of investment assets grew steadily, reaching RMB345,344 million. With the official implementation of C-ROSS, the Company’s core solvency margin ratio reached 250.8%, and the comprehensive solvency margin ratio was 279.6%, much higher than the level achieved under the earlier solvency regulation. Attributable to the outstanding industry position and continuously increasing comprehensive strengths of the Company, the rating granted by Moody’s Investors Service to the Company (Aa3) in terms of insurance financial strength is the highest level in the PRC.

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	
	2016			
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Net earned premiums	129,156	100.0	115,740	100.0
Net claims incurred	(77,726)	(60.2)	(71,116)	(61.5)
Total expenses	(44,984)	(34.8)	(38,433)	(33.2)
Underwriting profit	6,446	5.0	6,191	5.3

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	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	108,397	98,807
Commercial property insurance	7,804	8,205
Liability insurance	7,323	6,119
Accidental injury and health insurance	16,429	12,179
Cargo insurance	1,614	1,795
Agriculture insurance	12,777	12,588
Other insurance	7,549	6,539
Total	161,893	146,232

DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

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			2015	
	Amount <i>RMB million</i>	Percentage %	Increase/ (decrease) %	Amount <i>RMB million</i>	Percentage %
Direct sales	57,460	35.6	-3.9	59,783	41.0
Insurance agents	95,630	59.2	22.7	77,961	53.4
Among which:					
Individual insurance agents	52,271	32.4	24.2	42,080	28.8
Ancillary insurance agents	25,750	15.9	1.8	25,306	17.4
Professional insurance agents	17,609	10.9	66.5	10,575	7.2
Insurance brokers	8,472	5.2	3.5	8,182	5.6
Total	161,562	100.0	10.7	145,926	100.0

Gross written premiums of the Company and its subsidiaries were RMB161,893 million in the first half of 2016, representing an increase of RMB15,661 million (or 10.7%) from RMB146,232 million in the first half of 2015. The steady growth of the overall business was largely driven by the relatively rapid business development of the motor vehicle insurance, accidental injury and health insurance, liability insurance, credit and surety insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB108,397 million in the first half of 2016, representing an increase of RMB9,590 million (or 9.7%) from RMB98,807 million in the first half of 2015. In the first half of 2016, the domestic new car sales growth rebounded, and the Company and its subsidiaries took a positive approach to the deregulation of premium rates of commercial motor vehicle insurance, adopted proactive underwriting policies, strengthened performance appraisal and incentives, and continued to implement plans to improve the transferred-in rate of high-quality business. As a result, there was an obvious effect on regaining of the existing business, and the new and transferred-in business drove the steady growth of the gross written premiums of the motor vehicle insurance segment.

Gross written premiums of the commercial property insurance segment of the Company and its subsidiaries were RMB7,804 million in the first half of 2016, representing a decrease of RMB401 million (or -4.9%) from RMB8,205 million in the first half of 2015. In the first half of 2016, the competition had intensified progressively with the downturn of the commercial property insurance market, and there was a decline in the business of the Company and its subsidiaries in relation to the comprehensive insurance of commercial property insurance and the machinery damage insurance.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB7,323 million in the first half of 2016, representing an increase of RMB1,204 million (or 19.7%) from RMB6,119 million in the first half of 2015. In the first half of 2016, the Company and its subsidiaries, while maintaining the fast growth in traditional business such as the product liability insurance, employer's liability insurance, public liability insurance and medical liability insurance, continued to devote greater efforts in the promotion of innovative products and diversified business. Innovative business, such as the comprehensive insurance for the first set of major technical equipment, liability insurance for the preservation of properties subject to litigation, extended maintenance and repair liability insurance for motor vehicles, family member's liability insurance, online shopping freight loss insurance and cloud computing service liability insurance, became new points of growth.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB16,429 million in the first half of 2016, representing an increase of RMB4,250 million (or 34.9%) from RMB12,179 million in the first half of 2015. Largely due to a rapid growth in the critical illness insurance business, the Company's market share in the health insurance business further increased. In addition, a relatively rapid growth was also achieved in the Company and its subsidiaries' accidental injury insurance for construction projects, motor vehicle drivers and passengers and the borrowers.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB1,614 million in the first half of 2016, representing a decrease of RMB181 million (or -10.1%) from RMB1,795 million in the first half of 2015. In the first half of 2016, the international shipping market was at a low level and the overcapacity in the domestic traditional industries as well as the decline in the import and export trade had led to a reduction in the cargo insurance sources and decline in premium rates.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB12,777 million in the first half of 2016, representing an increase of RMB189 million (or 1.5%) from RMB12,588 million in the first half of 2015. In the first half of 2016, with the further opening of the agriculture insurance market, the competition in the market intensified, and it was difficult to maintain the explosive growth of the overall business as achieved during the initial development phase of the agriculture insurance. The points of business growth of the agriculture insurance of the Company and its subsidiaries were mainly focused on animal breeding insurance business.

In the first half of 2016, gross written premiums of other insurance segment of the Company and its subsidiaries were RMB7,549 million, representing an increase of RMB1,010 million (or 15.4%) from RMB6,539 million in the first half of 2015. The business of the Company and its subsidiaries in terms of short-term export credit insurance, individual credit loan surety insurance, and credit insurance for loan losses of financial institutions achieved a relatively rapid growth.

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	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	102,211	91,588
Commercial property insurance	4,038	4,264
Liability insurance	4,673	4,065
Accidental injury and health insurance	8,957	6,700
Cargo insurance	1,114	1,240
Agriculture insurance	4,855	4,883
Other insurance	3,308	3,000
Total	129,156	115,740

Net earned premiums of the Company and its subsidiaries were RMB129,156 million in the first half of 2016, representing an increase of RMB13,416 million (or 11.6%) from RMB115,740 million in the first half of 2015.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2016		2015	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	<i>RMB million</i>	%	<i>RMB million</i>	%
Motor vehicle insurance	(59,819)	(58.5)	(56,550)	(61.7)
Commercial property insurance	(2,038)	(50.5)	(2,011)	(47.2)
Liability insurance	(2,587)	(55.4)	(2,223)	(54.7)
Accidental injury and health insurance	(7,870)	(87.9)	(5,547)	(82.8)
Cargo insurance	(448)	(40.2)	(452)	(36.5)
Agriculture insurance	(3,130)	(64.5)	(2,880)	(59.0)
Other insurance	(1,834)	(55.4)	(1,453)	(48.4)
Total	(77,726)	(60.2)	(71,116)	(61.5)

Net claims incurred of the Company and its subsidiaries in the first half of 2016 were RMB77,726 million, representing an increase of RMB6,610 million (or 9.3%) from RMB71,116 million in the first half of 2015. The loss ratio in the first half of 2016 was 60.2%, representing a decrease of 1.3 percentage points compared to 61.5% in the first half of 2015.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB59,819 million in the first half of 2016, representing an increase of RMB3,269 million (or 5.8%) from RMB56,550 million in the first half of 2015. The loss ratio decreased by 3.2 percentage points from 61.7% in the first half of 2015 to 58.5% in the first half of 2016. In the first half of 2016, the Company and its subsidiaries strengthened the underwriting risk control, optimised the business structure and enhanced the business quality, thereby achieving a continuous increase in the percentage of family-owned vehicle business and a decline in the claim frequency of motor vehicle insurance. Meanwhile, as a result of the multi-faceted reinforcement of cost control in the settlement of claims through measures such as strengthening of control over allocation of resources on classified car agencies, deepening of vertical management and control over spare parts and man hours, enhancing resource delivery and repair as well as price management, 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 RMB2,038 million in the first half of 2016, representing an increase of RMB27 million (or 1.3%) from RMB2,011 million in the first half of 2015. The loss ratio increased by 3.3 percentage points from 47.2% in the first half of 2015 to 50.5% in the first half of 2016. The loss ratio of the commercial property insurance segment in the first half of 2016 increased due to the negative impact of natural catastrophes such as torrential rains and floods across China and the tornado which hit Yancheng, Jiangsu Province, on 23 June.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB2,587 million in the first half of 2016, representing an increase of RMB364 million (or 16.4%) from RMB2,223 million in the first half of 2015. The loss ratio increased by 0.7 percentage points from 54.7% in the first half of 2015 to 55.4% in the first half of 2016. Compared to the same period of last year, the claims incurred in relation to the employer's liability insurance, public liability insurance, medical liability insurance and school liability insurance of the Company and its subsidiaries increased, resulting in a slight increase in the loss ratio of the liability insurance segment in the first half of 2016.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB7,870 million in the first half of 2016, representing an increase of RMB2,323 million (or 41.9%) from RMB5,547 million in the first half of 2015. The loss ratio increased by 5.1 percentage points from 82.8% in the first half of 2015 to 87.9% in the first half of 2016. In the first half of 2016, the critical illness insurance business experienced rapid development with broader coverage and higher protection, resulting in an increase in the overall 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 RMB448 million in the first half of 2016, representing a decrease of RMB4 million (or -0.9%) from RMB452 million in the first half of 2015. The loss ratio increased by 3.7 percentage points from 36.5% in the first half of 2015 to 40.2% in the first half of 2016. The loss ratio of the cargo insurance segment of the Company and its subsidiaries increased relatively in the first half of 2016.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB3,130 million in the first half of 2016, representing an increase of RMB250 million (or 8.7%) from RMB2,880 million in the first half of 2015. The loss ratio increased by 5.5 percentage points from 59.0% in the first half of 2015 to 64.5% in the first half of 2016. In the first half of 2016, due to the negative impact of natural catastrophes such as the cold spell in the southern China early this year and the recent torrential rains and floods across China, the disaster level of the planting insurance business of the Company and its subsidiaries was higher than that of the same period of last year.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB1,834 million in the first half of 2016, representing an increase of RMB381 million (or 26.2%) from RMB1,453 million in the first half of 2015. The loss ratio increased by 7.0 percentage points from 48.4% in the first half of 2015 to 55.4% in the first half of 2016. The loss ratio of engineering insurance of the Company and its subsidiaries increased relatively in the first half of 2016.

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	
	2016	Expense	Total	Expense
	Total	ratio	Total	ratio
	expenses		expenses	ratio
	RMB million	%	RMB million	%
Motor vehicle insurance	(37,733)	(36.9)	(31,116)	(34.0)
Commercial property insurance	(1,748)	(43.3)	(1,800)	(42.2)
Liability insurance	(1,696)	(36.3)	(1,522)	(37.4)
Accidental injury and health insurance	(1,069)	(11.9)	(1,409)	(21.0)
Cargo insurance	(467)	(41.9)	(559)	(45.1)
Agriculture insurance	(914)	(18.8)	(969)	(19.8)
Other insurance	(1,357)	(41.0)	(1,058)	(35.3)
Total	(44,984)	(34.8)	(38,433)	(33.2)

Total expenses of the Company and its subsidiaries were RMB44,984 million in the first half of 2016, representing an increase of RMB6,551 million (or 17.0%) from RMB38,433 million in the first half of 2015. The expense ratio increased by 1.6 percentage points from 33.2% in the first half of 2015 to 34.8% in the first half of 2016. In the first half of 2016, the Company strengthened market benchmarking, actively adjusted market strategy and implemented active sales policy, thereby reversing and achieving an increase in its market share and continuously improving its ability to obtain high-quality business. The underwriting expense ratio was 32.0%, representing an increase of 2.3 percentage points compared to that of the same period of last year. Meanwhile, the Company implemented a comprehensive budget management, adopted a cost-leading strategy, deepened the construction of thriftiness-oriented administrative organisations, and strictly controlled administrative expenses, resulting in an administrative expense ratio of 2.8%, representing a decrease of 0.7 percentage points compared to the same period of last year.

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	
	2016		Underwriting	profit/(loss)
	Underwriting profit	Underwriting profit ratio	profit/(loss)	ratio
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Motor vehicle insurance	4,659	4.6	3,922	4.3
Commercial property insurance	252	6.2	453	10.6
Liability insurance	390	8.3	320	7.9
Accidental injury and health insurance	18	0.2	(256)	(3.8)
Cargo insurance	199	17.9	229	18.4
Agriculture insurance	811	16.7	1,034	21.2
Other insurance	117	3.6	489	16.3
Total	6,446	5.0	6,191	5.3

The Company and its subsidiaries recorded an underwriting profit of RMB6,446 million in the first half of 2016, representing an increase of RMB255 million (or 4.1%) from RMB6,191 million in the first half of 2015; and the underwriting profit ratio was 5.0%, representing a decrease of 0.3 percentage points from 5.3% in the first half of 2015.

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 2016		31 December 2015	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	21,111	6.1	22,828	6.6
Term deposits	87,109	25.2	98,663	28.7
Debt securities	113,810	33.0	107,404	31.2
Equity securities and mutual funds	62,049	18.0	68,714	20.0
Investments classified as loans and receivables	42,489	12.3	30,052	8.7
Investment properties	4,831	1.4	4,783	1.4
Investments in associates	10,890	3.1	8,584	2.5
Other investment assets (<i>Note</i>)	3,055	0.9	2,997	0.9
Total investment assets	345,344	100.0	344,025	100.0

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

In the first half of 2016, while maintaining 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, thereby achieving a balance between profit earning and risk taking.

In the first half of 2016, the Company actively seized the operating opportunities in the market and adjusted the relative percentage of equity securities held by the Company at appropriate time. Premised on strict risk control and ensuring the safe return of principals and interests, the Company increased the allocation of investments in infrastructure debt securities investment schemes and asset management products and prudently allocated investments in corporate bonds with high credit ratings and high quality, with a view to expanding the channels for fund utilisation and increasing the investment yield.

On 23 June 2016, the Company entered into the capital increase agreement with PICC Health and the shareholders of PICC Health, pursuant to which PICC Health shall increase its capital by way of issuance of 2,118,644,067 new shares, representing approximately 24.73% of the total issued capital of PICC Health after the completion of the capital increase, all of which shall be subscribed by the Company for a consideration of approximately RMB2,500 million.

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	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Rental income from investment properties	125	134
Interest income	6,263	6,159
Dividend income	1,614	1,299
Total of interest, dividend and rental income	8,002	7,592

In the first half of 2016, investment income of the Company and its subsidiaries was RMB8,002 million, representing an increase of RMB410 million (or 5.4%) from RMB7,592 million in the first half of 2015. In the first half of 2016, the Company steadily expanded the scale of its fixed-income investment assets, which led to an increase in interest income by RMB104 million (or 1.7%) compared to the same period of last year. Meanwhile, as a result of continuous improvement of dividend distribution level and mechanism of listed companies, the dividend income increased by RMB315 million (or 24.2%) compared to the same period of last year.

Net Realised and Unrealised (Losses)/Gains on Investments

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Realised (losses)/gains on investments	(593)	5,449
Unrealised (losses)/gains on investments	(22)	22
Fair value gains on investment properties	57	72
Total of net realised and unrealised (losses)/gains on investments	(558)	5,543

In the first half of 2016, as a result of the impacts of the capital market volatility, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB558 million, and the realised losses on investments were RMB593 million.

OVERALL RESULTS

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	13,628	18,548
Income tax expense	(2,980)	(4,126)
Profit attributable to owners of the parent	10,648	14,422
Total assets (<i>Note</i>)	451,963	420,420

Note: Based on the data as at 30 June 2016 and 31 December 2015.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB13,628 million in the first half of 2016, representing a decrease of RMB4,920 million (or -26.5%) from RMB18,548 million in the first half of 2015.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,980 million in the first half of 2016, representing a decrease of RMB1,146 million from RMB4,126 million in the first half of 2015. The decrease in the income tax expense of the Company and its subsidiaries was primarily due to a decrease in the profit before tax in the first half of 2016.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB3,774 million from RMB14,422 million in the first half of 2015 to RMB10,648 million in the first half of 2016. Basic earnings per share attributable to owners of the parent in the first half of 2016 was RMB0.718.

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	
	2016 <i>RMB million</i>	2015 <i>RMB million</i>
Net cash flows from operating activities	5,349	11,092
Net cash flows from/(used in) investing activities	1,037	(17,607)
Net cash flows (used in)/from financing activities	(8,103)	7,802
Net (decrease)/increase in cash and cash equivalents	(1,717)	1,287

In the first half of 2016, the net cash flows from operating activities of the Company and its subsidiaries were RMB5,349 million, representing a decrease of RMB5,743 million (or -51.8%) from RMB11,092 million in the first half of 2015. On one hand, due to the intensifying market competition and other reasons, the amount of underwriting related expenses and their percentages to the cash flow from premiums increased relatively. On the other hand, the finance-backed business of the Company such as critical illness insurance and student loan credit insurance developed rapidly and their percentages over the Company's business increased. For reasons such as the government funding for such business had not yet been received, or the premiums were paid by installments, the premium receivables for the first half of 2016 increased relatively, thereby impacting the cash inflow accordingly.

In the first half of 2016, the net cash flows from investing activities of the Company and its subsidiaries were RMB1,037 million, representing an increase of cash inflow of RMB18,644 million compared to the first half of 2015, mainly due to the maturity of debt securities investments, equity securities investments and term deposits.

In the first half of 2016, the net cash flows used in financing activities of the Company and its subsidiaries were RMB8,103 million, representing an increase of cash outflow of RMB15,905 million compared to the first half of 2015, mainly due to the redemption of RMB5 billion subordinated debt issued in 2011 and repurchase transactions of securities sold under agreements to repurchase.

As at 30 June 2016, the cash and cash equivalents of the Company and its subsidiaries were RMB21,111 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. In addition, sources of liquidity also 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 and December 2006, the Company issued fixed-rate subordinated term debts of RMB8 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 RMB949 million in the first half of 2016.

SOLVENCY MARGIN REQUIREMENT

In February 2015, the CIRC issued the C-ROSS and the insurance industry entered into the C-ROSS transition period. Under the C-ROSS, a risk-oriented supervision regime is established to scientifically and comprehensively measure the risks faced by insurance companies and more closely correlate capital requirements with risks. Based on the trial operations during the transition period and as approved by the State Council, the CIRC decided to implement C-ROSS formally with the *Regulatory Rules on the Solvency Margin of Insurance Companies Nos. 1-17* becoming effective from 1 January 2016.

As at 30 June 2016, the Company and its subsidiaries' actual capital was RMB119,676 million, core capital was RMB107,334 million, minimum capital was RMB42,805 million, comprehensive solvency margin ratio was 279.6%, and core solvency margin ratio was 250.8%.

GEARING RATIO

As at 30 June 2016, the gearing ratio (*Note*) of the Company and its subsidiaries was 72.7%, representing an increase of 2.5 percentage points from 70.2% as at 31 December 2015.

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

CONTINGENT EVENT

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being the plaintiff or 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 2016. 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 principal or interest payments when due. The assets of the Company and its subsidiaries which are subject to credit risk are concentrated in insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

The Company and its subsidiaries are only committed to credit sales to corporate customers or to 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 and strenuously controlled the credit risk of its debt securities investment. 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 parts 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 (primarily in US dollars) and certain insurance business liabilities which are denominated in foreign currencies (primarily in US dollars).

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

INTEREST RATE RISK

Interest rate risk is the risk that the 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 2016, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB100 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2016, the Company closely tracked the market focus and customer demands and submitted a total of 468 insurance provisions and premium rates to the insurance regulatory authorities for approval and filing, consisting of 50 national provisions and premium rates, 418 regional provisions and premium rates, 403 main insurance provisions and premium rates and 65 rider provisions and premium rates.

As at 30 June 2016, the Company had 9,805 insurance provisions in operation and use, of which 4,706 were national provisions and 5,099 were regional provisions.

EMPLOYEES

As at 30 June 2016, the Company had 170,223 employees. In the first half of 2016, the Company and its subsidiaries paid a total remuneration of RMB13,175 million to their employees, which mainly included basic salaries, performance-related bonus, and various insurances and welfare 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 2016, the Company is faced with a complex situation which is both encouraging and worrying on both internal and external fronts. **From the macro-environmental perspective**, the pressure caused by the downward trend of our country's macro-economy will continue and the sluggish development of the traditional non-motor insurance business is unlikely to experience an obvious improvement in the near future; the acceleration of the supply-side structural reform, the continuously deepening facilitation of the national governance modernisation, the full scale launch of the campaign to alleviate poverty have brought more room for development for the Company in terms of deepening the development of policy-supported insurance business such as agriculture insurance, critical illness insurance and poverty alleviation insurance, accelerating the development of liability insurance, people's livelihood-related insurance and governance insurance, and innovating and developing new types of commercial non-motor insurance business. **From the perspective of the development of the industry**, the commencement of full scale deregulation of premium rates of commercial motor vehicle insurance and the continued intensification of market competition present a new challenge to the Company in its grasp of market development initiative; with the opening up of the agriculture insurance operators, new business models and new business operators are emerging from time to time, leading to double pressure arising from the intensified competition in the industry as well as cross-business competition, thereby presenting a serious challenge for the Company's leading market position.

Faced with the current complex internal and external situations, the Company needs to maintain its development determination, firmly carry out the key tasks such as deregulation of premium rates of commercial motor vehicle insurance, the construction of the ground e-commerce sales service team, the process management of the motor vehicle insurance sales, further expansion and development of the key types of insurance and policy-supported business, the regional coordinated development and the management and control of the catastrophe claim settlement, expense and premium receivables, so as to ensure the completion of the targets set and various work planned for the whole year.

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 2016 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 the members of the Board during the period from 1 January 2016 to the date of this interim report are as follows:

At the Annual General Meeting of the Company on 24 June 2016, Mr Chu Bende was appointed as an Independent Non-executive Director of the Company for a term of office commencing immediately after the conclusion of the Annual General Meeting to the expiry of the term of office of the current session of the Board. The term of office of the current session of the Board will expire on 25 June 2018.

Mr Guo Shengchen resigned as Vice Chairman of the Board, an Executive Director and the President of the Company with effect from 9 August 2016 due to his age. Mr Guo ceased to act as a member of the Strategic Planning Committee and the Nomination, Remuneration and Review Committee of the Company simultaneously. The Board appointed Mr Lin Zhiyong, an Executive Director and originally an Executive Vice President of the Company, as Vice Chairman of the Board and the President of the Company with effect from 9 August 2016.

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

Mr Wu Yan (*Chairman of the Board, Executive Director*)
Mr Lin Zhiyong (*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 Wang He (*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*)
Mr Chu Bende (*Independent Non-executive Director*)

The qualifications of Mr Na Guoyi, Mr Ma Yusheng and Mr Chu Bende as Directors and Mr Lin Zhiyong as Vice Chairman of the Board and the President of the Company are subject to the approvals of the CIRC.

There has been no change in the members of the Supervisory Committee from 1 January 2016 to the date of this interim report.

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*)

CHANGES IN THE INFORMATION ON DIRECTORS, SUPERVISORS AND PRESIDENT

Mr Guo Shengchen resigned as Vice Chairman of the Board, an Executive Director and the President of the Company with effect from 9 August 2016. Mr Guo ceased to act as a member of the committees under the Board simultaneously. On the same date, Mr Lin Zhiyong, an Executive Director and originally an Executive Vice President of the Company, was appointed as Vice Chairman of the Board and the President of the Company.

Mr Lo Chung Hing, an Independent Non-executive Director of the Company, is also an Independent Non-executive Director of China Shanshui Cement Group Limited*.

* This company is listed on the Hong Kong Stock Exchange.

There has been no change in the information on the Supervisors from 1 January 2016 to the date of this interim report, which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Guidelines") that are applicable to Directors, Supervisors and all employees. 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 and they all confirmed that they complied with the requirements under the Model Code and the Guidelines during the first half of 2016 when they were in office.

OTHER INFORMATION

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2016, 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	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
JPMorgan Chase & Co.	Beneficial owner, investment manager, trustee (other than a bare trustee), custodian corporation/ approved lending agent	453,818,676 (Note 1)	Long position	9.86%	3.06%
	Beneficial owner	3,243,973 (Note 1)	Short position	0.07%	0.02%
	Custodian corporation/ approved lending agent	200,690,998	Lending pool	4.36%	1.35%
Citigroup Inc.	Interest of controlled corporations, custodian corporation/ approved lending agent, person having a security interest in shares	254,168,332 (Note 2)	Long position	5.52%	1.71%
	Interest of controlled corporations	2,124,784	Short position	0.04%	0.01%
	Custodian corporation/ approved lending agent	240,729,733	Lending pool	5.23%	1.62%
BlackRock, Inc.	Interest of controlled corporations	254,047,738 (Note 3)	Long position	5.52%	1.71%
	Interest of controlled corporations	496,000 (Note 3)	Short position	0.01%	0.003%

Notes:

1. Among which, 13,584,401 H shares (Long position) and 3,243,973 H shares (Short position) were held through derivatives as follows: 1,876,000 H shares (Long position) and 1,290,000 H shares (Short position) – through physically settled listed securities; 836,000 H shares (Short position) – through cash settled listed securities; 11,582,349 H shares (Long position) and 601,921 H shares (Short position) – through physically settled unlisted securities; 126,052 H shares (Long position) and 516,052 H shares (Short position) – through cash settled unlisted securities.
2. Among which, 2,124,784 H shares (Long position) were held through derivatives, categorised as held through physically settled unlisted securities.
3. Among which, 1,408,000 H shares (Long position) and 28,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted securities.

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 2016.

INTERIM DIVIDEND

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2016.

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 2016.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2016.

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 2016.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
26 August 2016

DEFINITIONS

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

“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
“C-ROSS”	China Risk-oriented Solvency System
“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 of the Listing Rules
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PICC Health”	PICC Health Insurance Company Limited
“PICC Life”	PICC Life Insurance Company Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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

