

# 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 2017



## 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, homeowner 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 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:	<a href="http://www.epicc.com.cn">www.epicc.com.cn</a>
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	37
Discussion and Analysis of Operating Results and Financial Conditions	38
Other Information	52
Definitions	56

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	<i>Notes</i>	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
<b>GROSS WRITTEN PREMIUMS</b>	4	<b>179,683</b>	161,893
Net earned premiums	4	144,167	129,156
Net claims incurred	5	(87,840)	(77,726)
Net policy acquisition costs		(32,169)	(30,872)
Other underwriting expenses		(14,158)	(10,459)
Administrative expenses		(3,484)	(3,653)
<b>UNDERWRITING PROFIT</b>		<b>6,516</b>	6,446
Investment income	6	7,785	8,002
Net realised and unrealised losses on investments	7	(51)	(558)
Investment related expenses		(138)	(128)
Exchange (losses)/gains, net		(210)	139
Interest expenses credited to policyholders' deposits		(1)	–
Sundry income		166	154
Sundry expenses		(106)	(68)
Finance costs	8	(963)	(516)
Share of profits of associates		2,240	157
<b>PROFIT BEFORE TAX</b>	9	<b>15,238</b>	13,628
Income tax expense	10	(3,155)	(2,980)
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>12,083</b>	10,648
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)</b>	12	<b>0.815</b>	0.718

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	<i>Note</i>	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>12,083</b>	10,648
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		1,408	(4,366)
– Reclassification of (gains)/losses to profit or loss on disposals		(79)	515
– Impairment losses		207	–
Income tax effect		(384)	963
		<b>1,152</b>	(2,888)
Net losses on cash flow hedges		(3)	(4)
Income tax effect		1	1
		(2)	(3)
Share of other comprehensive expense of associates		(345)	(133)
<b>NET OTHER COMPREHENSIVE INCOME/(EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>805</b>	(3,024)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	21	108	145
Income tax effect		(27)	(36)
		<b>81</b>	109
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>81</b>	109
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX</b>		<b>886</b>	(2,915)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>12,969</b>	7,733

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	13	35,102	25,144
Derivative financial assets		–	3
Debt securities	14	119,095	110,645
Equity securities and mutual funds	15	56,688	67,038
Insurance receivables, net	16	60,684	30,479
Reinsurance assets	17	31,157	30,707
Term deposits	18	67,170	68,286
Investments classified as loans and receivables	19	70,969	63,855
Prepayments and other assets		20,558	15,805
Investments in associates	20	38,997	37,045
Investment properties	21	4,976	4,902
Property and equipment	22	14,603	14,977
Prepaid land premiums		3,102	3,185
Deferred tax assets		7,991	3,878
<b>TOTAL ASSETS</b>		<b>531,092</b>	<b>475,949</b>
<b>LIABILITIES</b>			
Payables to reinsurers	23	26,762	16,443
Accrued insurance protection fund		812	834
Securities sold under agreements to repurchase		20,317	21,030
Income tax payable		5,327	2,680
Other liabilities and accruals	24	53,588	48,115
Insurance contract liabilities	17	271,092	242,093
Policyholders' deposits		2,308	2,330
Bonds payable		23,187	23,112
<b>TOTAL LIABILITIES</b>		<b>403,393</b>	<b>356,637</b>
<b>EQUITY</b>			
Issued capital	25	14,828	14,828
Reserves		112,865	104,478
Equity attributable to owners of the parent		127,693	119,306
Non-controlling interests		6	6
<b>TOTAL EQUITY</b>		<b>127,699</b>	<b>119,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>531,092</b>	<b>475,949</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available-for-sale investment reserve	Cash flow hedging reserve	Surplus reserve***	Share of other			Retained profits	Total		
							Agriculture comprehensive						
							General risk reserve	catastrophic loss reserve	income/ (expense) of associates				
Six months ended 30 June 2017 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017	14,828	18,986*	2,879*	7,023*	2*	32,614*	9,337*	1,885*	176*	31,576*	119,306	6	119,312
Profit for the period	-	-	-	-	-	-	-	-	-	12,083	12,083	-	12,083
Other comprehensive income/(expense)	-	-	81	1,152	(2)	-	-	-	(345)	-	886	-	886
Total comprehensive income/(expense)	-	-	81	1,152	(2)	-	-	-	(345)	12,083	12,969	-	12,969
2016 final dividend****	-	-	-	-	-	-	-	-	-	(4,582)	(4,582)	-	(4,582)
Balance at 30 June 2017	14,828	18,986*	2,960*	8,175*	-*	32,614*	9,337*	1,885*	(169)*	39,077*	127,693	6	127,699

\* The consolidated reserves of RMB112,865 million (31 December 2016: RMB104,478 million) in the condensed consolidated statement of financial position as at 30 June 2017 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 23 June 2017, the shareholders of the Company at a general meeting approved a final dividend of RMB0.309 per ordinary share totalling RMB4,582 million for the year ended 31 December 2016.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available-for-sale investment revaluation reserve	Cash flow hedging reserve	Surplus reserve***	General risk reserve	Agriculture catastrophic loss reserve	Share of other comprehensive income/ (expense) of associates	Retained profits	Total		
Six months ended 30 June 2016 (Unaudited)													
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 CASH FLOWS

For the six months ended 30 June 2017

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	14,162	10,581
Income tax paid	(5,031)	(5,232)
<b>Net cash flows from operating activities</b>	<b>9,131</b>	<b>5,349</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	5,877	6,485
Payment for purchase of debt securities, equity securities and mutual funds	(39,883)	(47,639)
Payment for purchase of investments classified as loans and receivables	(25,865)	(13,260)
Payment for acquisition of associates	–	(2,500)
Proceeds from sale of debt securities, equity securities and mutual funds	40,479	44,566
Proceeds from sale of investments classified as loans and receivables	18,751	823
Decrease in term deposits, net	1,102	11,563
Others	1,479	999
<b>Net cash flows from investing activities</b>	<b>1,940</b>	<b>1,037</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in securities sold under agreements to repurchase, net	(713)	(2,704)
Payment for redemption of bonds payable	–	(5,000)
Others	(400)	(399)
<b>Net cash flows used in financing activities</b>	<b>(1,113)</b>	<b>(8,103)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of the period	25,144	22,828
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>35,102</b>	<b>21,111</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 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 (“HKICPA”) 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 2016.

#### (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 2017 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016. 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

None of the above amendments to HKFRSs have had a material impact on the financial position or performance of the Group for the six months ended 30 June 2017.

**New and amendments to HKFRSs in issue but not yet effective**

The following relevant new standards and amendments have been issued by are not effective for the financial year ending 31 December 2017 and have not been early adopted, but are expected to have a material impact on the financial position or results of operations of the Group:

HKFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, but the Group qualifies for a temporary exemption as explained below. The Group is currently assessing the impact of the standard upon adoption, and expects that the adoption of HKFRS 9 will likely to have a material impact on the classification, measurement and impairment of the Group’s financial instruments in the Group’s consolidated financial statements.

In January 2017, the HKICPA issued amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts, which provides two alternative options to address the different effective dates of HKFRS 9 and the forthcoming insurance contracts standard, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the effective date of HKFRS 9 until the earlier of the effective date of the forthcoming insurance contracts standard and the annual periods beginning on or after 1 January 2021. The overlay approach allows entities applying HKFRS 9 from 2018 onwards to remove from profit or loss the effects of certain accounting mismatches that may occur before the forthcoming insurance contracts standard is applied. The Group has assessed that its activities are predominantly connected with insurance according to the requirements of the amendments, so the Group is eligible to apply the temporary exemption. The Group will decide whether to apply the temporary exemption to defer the effective date of HKFRS 9 once its impact assessment on HKFRS 9 is completed, which will be no later than the release of the Company’s 2017 Annual Report.

For the six months ended 30 June 2017

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

#### (b) Significant accounting policies *(continued)*

##### **New and amendments to HKFRSs in issue but not yet effective *(continued)***

HKFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 replaces HKAS 17 Leases and related interpretations. A key change arising from HKFRS 16 is that a lessee is required to recognise assets and liabilities for all leases, except for short-term leases and leases of low value assets. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the full impact of the standard on its financial position and performance.

### 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 2017

### 3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2017 and 2016 are as follows:

Six months ended 30 June 2017 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others	RMB million	RMB million
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Gross written premiums	117,847	7,567	1,715	8,873	21,196	14,088	8,397	–	179,683
Net earned premiums	112,242	3,789	1,205	5,601	11,390	5,716	4,224	–	144,167
Net claims incurred	(66,351)	(1,465)	(513)	(3,202)	(10,405)	(3,586)	(2,318)	–	(87,840)
Net policy acquisition costs	(28,192)	(1,114)	(260)	(1,222)	(562)	(134)	(685)	–	(32,169)
Other underwriting expenses	(10,900)	(286)	(157)	(552)	(434)	(1,302)	(527)	–	(14,158)
Administrative expenses	(2,352)	(241)	(70)	(214)	(94)	(301)	(212)	–	(3,484)
Underwriting profit/(loss)	4,447	683	205	411	(105)	393	482	–	6,516
Investment income	–	–	–	–	–	–	–	7,785	7,785
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(51)	(51)
Investment related expenses	–	–	–	–	–	–	–	(138)	(138)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	–	(1)	–	(1)
Exchange losses, net	–	–	–	–	–	–	–	(210)	(210)
Finance costs	–	–	–	–	–	–	–	(963)	(963)
Sundry income and expenses, net	–	–	–	–	–	–	–	60	60
Share of profits of associates	–	–	–	–	–	–	–	2,240	2,240
Profit/(loss) before tax	4,447	683	205	411	(105)	393	481	8,723	15,238
Income tax expense	–	–	–	–	–	–	–	(3,155)	(3,155)
Profit/(loss) attributable to owners of the parent – segment results	4,447	683	205	411	(105)	393	481	5,568	12,083

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2016 (Unaudited)	Insurance							Corporate RMB million	Total RMB million
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million		
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 2017

### 3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2017 and 31 December 2016 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
30 June 2017 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	15,332	14,606	1,823	8,854	15,891	15,334	22,836	436,416	531,092
Segment liabilities	201,582	21,417	3,588	21,021	26,200	20,413	28,732	80,440	403,393

  

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
31 December 2016 (Audited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	13,517	11,754	1,410	6,064	6,240	6,465	18,471	412,028	475,949
Segment liabilities	190,900	19,216	3,158	17,344	15,556	12,865	24,927	72,671	356,637

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 2017

### 4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2017 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)
<b>Gross written premiums</b>		
Direct written premiums	179,317	161,562
Reinsurance premiums assumed	366	331
	<b>179,683</b>	161,893
<b>Net earned premiums</b>		
Gross written premiums	179,683	161,893
Less: Reinsurance premiums ceded	(14,701)	(16,483)
Net written premiums	164,982	145,410
Gross change in unearned premium reserves	(21,780)	(17,846)
Less: Reinsurer's share of change in unearned premium reserves	965	1,592
Net change in unearned premium reserves	(20,815)	(16,254)
Net earned premiums	144,167	129,156

### 5. NET CLAIMS INCURRED

	Six months ended 30 June 2017 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)
Gross claims paid	88,240	80,732
Less: Paid losses recoverable from reinsurers	(8,134)	(8,310)
Net claims paid	80,106	72,422
Gross change in loss and loss adjustment expense reserves	7,219	5,055
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	515	249
Net change in loss and loss adjustment expense reserves	7,734	5,304
Net claims incurred	87,840	77,726



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 6. INVESTMENT INCOME

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
Operating lease income from investment properties	134	125
Interest income		
Current and term deposits	2,076	2,727
Debt securities		
– Held-to-maturity	1,042	1,061
– Available-for-sale	1,453	1,436
– Held-for-trading	31	14
Derivative financial assets	3	14
Investments classified as loans and receivables	1,637	1,011
Subtotal	6,242	6,263
Dividend income from equity securities and mutual funds		
– Available-for-sale	1,354	1,437
– Held-for-trading	55	177
Subtotal	1,409	1,614
<b>Total</b>	<b>7,785</b>	<b>8,002</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 7. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	19	61
– Held-for-trading	–	12
Equity securities and mutual funds		
– Available-for-sale	60	(576)
– Held-for-trading	86	(90)
Unrealised losses from:		
Debt securities classified as held-for-trading	(25)	(7)
Equity securities and mutual funds classified as held-for-trading	–	(15)
Fair value gains on investment properties	16	57
Impairment losses on equity securities and mutual funds classified as available-for-sale	(207)	–
	<b>(51)</b>	<b>(558)</b>

### 8. FINANCE COSTS

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
Interest on securities sold under agreements to repurchase	371	253
Interest on bonds payable	581	250
Other finance costs	11	13
	<b>963</b>	<b>516</b>

**9. PROFIT BEFORE TAX**

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

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
Employee expenses	15,763	14,805
Depreciation of property and equipment	723	774
Amortisation of prepaid land premiums	73	94
Impairment losses on insurance receivables	320	364
Impairment losses on prepayments and other assets	13	189
Minimum lease payments under operating leases in respect of land and buildings	393	326

**10. INCOME TAX EXPENSE**

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2016: 25%) in accordance with the relevant PRC income tax rules and regulations.

	<b>Six months ended 30 June 2017 RMB million (Unaudited)</b>	Six months ended 30 June 2016 RMB million (Unaudited)
Current	7,678	5,857
Deferred	(4,523)	(2,877)
<b>Total tax charge for the period</b>	<b>3,155</b>	<b>2,980</b>

**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 2017.

Pursuant to the shareholders' approval at the general meeting on 23 June 2017, a final dividend of RMB0.309 per ordinary share totalling RMB4,582 million in respect of the year ended 31 December 2016 was declared.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

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

	<b>Six months ended 30 June 2017 (Unaudited)</b>	Six months ended 30 June 2016 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	<b>12,083</b>	10,648
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<b>14,828</b>	14,828
Basic earnings per share (in RMB)	<b>0.815</b>	0.718

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 2017 and 2016 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

### 13. CASH AND CASH EQUIVALENTS

	<b>30 June 2017 RMB million (Unaudited)</b>	31 December 2016 RMB million (Audited)
Demand deposits	<b>15,546</b>	18,590
Securities purchased under resale agreements with original maturity of less than three months	<b>19,556</b>	5,492
Deposits with banks with original maturity of less than three months	–	1,062
	<b>35,102</b>	25,144
Classification of cash and cash equivalents:		
Loans and receivables	<b>35,102</b>	25,144

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 2017 and 31 December 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 14. DEBT SECURITIES

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Classification of debt securities:		
Held-for-trading, at fair value	1,529	3,251
Available-for-sale, at fair value	75,660	65,743
Held-to-maturity, at amortised cost	41,906	41,651
	<b>119,095</b>	110,645

### 15. EQUITY SECURITIES AND MUTUAL FUNDS

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Investments, at fair value:		
Shares	31,712	28,593
Mutual funds	14,752	28,805
Preferred shares	5,928	5,561
Equity schemes	4,049	3,827
Perpetual bonds	247	252
	<b>56,688</b>	67,038

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 loss exposure.

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Classification of equity securities and mutual funds:		
Held-for-trading, at fair value	1,759	10,543
Available-for-sale, at fair value	54,929	56,495
	<b>56,688</b>	67,038

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 15. EQUITY SECURITIES AND MUTUAL FUNDS (continued)

For the six months ended 30 June 2017, an impairment loss of RMB207 million was provided by the Group on equity securities and mutual funds (six months ended 30 June 2016: Nil).

### 16. INSURANCE RECEIVABLES, NET

	<b>30 June 2017</b> <i>RMB million</i> (Unaudited)	31 December 2016 <i>RMB million</i> (Audited)
Premiums receivable and agents' balances	35,842	13,786
Receivables from reinsurers	28,374	19,911
	<b>64,216</b>	33,697
Less: Impairment provision on		
– Premiums receivable and agents' balances	(3,293)	(2,960)
– Receivables from reinsurers	(239)	(258)
	<b>60,684</b>	30,479

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

	<b>30 June 2017</b> <i>RMB million</i> (Unaudited)	31 December 2016 <i>RMB million</i> (Audited)
Not yet due	26,141	18,827
Within 1 month	6,972	2,496
1 to 3 months	9,040	3,770
3 to 6 months	12,116	3,594
6 to 12 months	5,606	1,472
1 to 2 years	689	208
Over 2 years	120	112
	<b>60,684</b>	30,479

Included in the Group's insurance receivables are amounts due from a fellow subsidiary of RMB290 million (31 December 2016: RMB117 million) and an associate of RMB342 million (31 December 2016: Nil), respectively. Please refer to note 30(c) for details.

**16. INSURANCE RECEIVABLES, NET (continued)**

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.

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 of the Group 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 2017 (Unaudited)			31 December 2016 (Audited)		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Unearned premium reserves	136,055	(11,119)	124,936	114,275	(10,154)	104,121
Loss and loss adjustment expense reserves	135,037	(20,038)	114,999	127,818	(20,553)	107,265
	271,092	(31,157)	239,935	242,093	(30,707)	211,386

**18. TERM DEPOSITS**

The original maturities of the term deposits are as follows:

	30 June 2017	31 December 2016
	RMB million	RMB million
	(Unaudited)	(Audited)
More than 3 months to 1 year	1,225	162
1 to 2 years	8	8
2 to 3 years	491	213
More than 3 years	65,446	67,903
	67,170	68,286

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Long-term debt investment schemes	<b>30,782</b>	28,339
Wealth management products	<b>26,500</b>	28,400
Trust plans	<b>7,900</b>	3,000
Asset management products	<b>5,287</b>	3,616
Subordinated debts held	<b>500</b>	500
	<b>70,969</b>	63,855

Long-term debt investment schemes (“Debt Schemes”) are structured entities and offer either fixed or variable interests to their investors, and the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group’s investments in Debt Schemes are entirely lending transactions in nature and the Group’s proportion of funds lent to these Debt Schemes ranges from 2% to 100% (31 December 2016: 2% to 100%) of the total funds raised. The interest rates of these Debt Schemes are 4.2%-7.0% (31 December 2016: 4.3% to 7.0%) per annum as at 30 June 2017.

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 loss exposure.

Wealth management products are financial products offered by banks which offer fixed or determinable payments and are not quoted in active market. The original terms of these products range from 2 months to 3 years and the interest rates are 3.5% to 5.5% (31 December 2016: 3.5% to 4.9%) per annum as at 30 June 2017.

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 5.6% (31 December 2016: 5.6%) per annum as at 30 June 2017.



20. INVESTMENTS IN ASSOCIATES

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Cost of investments in associates	36,543	36,053
Share of post-acquisition profit and other comprehensive income, net of dividend received	2,454	992
	<b>38,997</b>	37,045

As at 30 June 2017, except for the interests in Hua Xia Bank Co., Limited which is listed on the main board of The Shanghai Stock Exchange, Mainland China, all other associates that the Group holds interests in are unlisted companies.

21. INVESTMENT PROPERTIES

	<b>Six months ended</b> <b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	Six months ended 30 June 2016 <i>RMB million</i> <b>(Unaudited)</b>
At 1 January	4,902	4,783
Transfers from property and equipment and prepaid land premiums	164	66
Fair value gain on revaluation of investment properties transferred from property and equipment and prepaid land premiums	108	145
Increase in fair value of investment properties during the period	16	57
Transfers to property and equipment	(214)	(220)
At 30 June	<b>4,976</b>	4,831

On 30 June 2017, the fair values were determined based on the valuation carried out by an external independent valuer, JLL (Beijing) Real Estate Appraisal & Consultancy Co., Ltd.. Valuations were carried out by the following two approaches:

- (i) The income approach determining the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or
- (ii) The direct comparison approach comparing the target properties with the recent similar transaction cases, adjusting the difference of status, date, region and other specific factors between the target properties and the recent similar transaction cases, based on the recent similar transaction price.

For the six months ended 30 June 2017

### 21. INVESTMENT PROPERTIES *(continued)*

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

On 31 December 2016, the fair values were determined based on the valuation carried out by an external independent valuer, DTZ DEBENHAM TIE LEUNG Ltd.. Valuations were carried out by 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 judgment. Therefore, these fair values were categorised as Level 3.

As at 30 June 2017 and 31 December 2016, none of the Group's investment properties were pledged to secure general banking facilities granted to the Group.

### 22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB193 million (six months ended 30 June 2016: RMB330 million) and incurred construction costs of RMB126 million (six months ended 30 June 2016: RMB461 million) for construction in progress.

Assets with a net book value of RMB22 million were disposed of by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB19 million), resulting in a net disposal gain of RMB30 million (six months ended 30 June 2016: RMB31 million).

During the six months ended 30 June 2017, construction in progress with an aggregate amount of RMB55 million (six months ended 30 June 2016: RMB30 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2017, property and equipment with a carrying amount of RMB164 million (six months ended 30 June 2016: RMB66 million) was transferred to investment properties, and investment properties with a carrying amount of RMB214 million (six months ended 30 June 2016: RMB220 million) was transferred to property and equipment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 23. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> (Audited)
Reinsurance payables	<b>26,762</b>	16,443

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 are amounts due to a fellow subsidiary of RMB238 million (31 December 2016: RMB131 million) and an associate of RMB1,074 million (31 December 2016: Nil), respectively. Please refer to note 30(c) for details.

### 24. OTHER LIABILITIES AND ACCRUALS

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> (Audited)
Premiums received in advance	<b>15,610</b>	13,854
Salaries and staff welfare payables	<b>9,820</b>	9,551
Commission payable	<b>6,826</b>	6,843
Premium payable	<b>2,509</b>	2,170
Claims payable	<b>1,897</b>	3,529
Interest payable	<b>674</b>	163
Accrued capital expenditure	<b>397</b>	395
Amounts due to fellow subsidiaries (note 30(c))	<b>98</b>	91
Others	<b>15,757</b>	11,519
	<b>53,588</b>	48,115

### 25. ISSUED CAPITAL

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> (Audited)
Issued and fully paid:		
Domestic shares of RMB1.00 each	<b>10,229</b>	10,229
H shares of RMB1.00 each	<b>4,599</b>	4,599
	<b>14,828</b>	14,828

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 26. 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 bonds payable, 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 2017 RMB million (Unaudited)	31 December 2016 RMB million (Audited)	30 June 2017 RMB million (Unaudited)	31 December 2016 RMB million (Audited)
<b>Financial assets</b>				
Derivative financial assets	–	3	–	3
Held-for-trading				
– Equity securities and mutual funds	1,759	10,543	1,759	10,543
– Debt securities	1,529	3,251	1,529	3,251
Available-for-sale				
– Equity securities and mutual funds	54,929	56,495	54,929	56,495
– Debt securities	75,660	65,743	75,660	65,743
Held-to-maturity investments				
– Debt securities	41,906	41,651	43,723	44,465
Loans and receivables				
– Cash and cash equivalents	35,102	25,144	35,102	25,144
– Term deposits	67,170	68,286	67,170	68,286
– Investments classified as loans and receivables	70,969	63,855	73,299	67,086
– Insurance receivables, net	60,684	30,479	60,684	30,479
– Other assets	18,419	13,769	18,419	13,769
<b>Total financial assets</b>	<b>428,127</b>	<b>379,219</b>	<b>432,274</b>	<b>385,264</b>
<b>Financial liabilities</b>				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	26,762	16,443	26,762	16,443
– Accrued insurance protection fund	812	834	812	834
– Securities sold under agreements to repurchase	20,317	21,030	20,317	21,030
– Policyholders' deposits	2,308	2,330	2,308	2,330
– Bonds payable	23,187	23,112	23,744	23,986
– Other liabilities	37,958	28,874	37,958	28,874
<b>Total financial liabilities</b>	<b>111,344</b>	<b>92,623</b>	<b>111,901</b>	<b>93,497</b>

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

### (2) Determination of fair value and the fair value hierarchy of financial instruments

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 21 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (2) Determination of fair value and the fair value hierarchy of financial instruments (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 2017 (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	1,731	41,992	–	43,723
– Investments classified as loans and receivables	–	73,299	–	73,299
Financial liabilities				
– Bonds payable	–	23,744	–	23,744

31 December 2016 (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	407	44,058	–	44,465
– Investments classified as loans and receivables	–	67,086	–	67,086
Financial liabilities				
– Bonds payable	–	23,986	–	23,986

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 categories above have been determined in accordance with generally accepted pricing models for such debt instruments based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties or the Group.

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

(2) Determination of fair value and the fair value hierarchy of financial instruments (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 2017 RMB million (Unaudited)	31 December 2016 RMB million (Audited)		
Trading debt securities	324	131	Level 1	Quoted bid prices in an active market.
Trading debt securities	1,205	3,120	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at an observable rate that reflects the credit risk of counterparty.
Trading equity securities and mutual funds	1,759	10,543	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	8,583	7,576	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	67,077	58,167	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	42,315	45,388	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	5,687	5,322	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend/coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	4,092	3,064	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 and mutual funds	1,092	1,021	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 and mutual funds	1,743	1,700	Level 3	Fair value of the investments is based on the use of internal valuation models.
Derivative financial assets – Interest rate swaps	–	3	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 an observable rate that reflects the credit risk of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (2) Determination of fair value and the fair value hierarchy of financial instruments (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 2017 (Unaudited)	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets held for trading				
– Equity securities and mutual funds	1,759	–	–	1,759
– Debt securities	324	1,205	–	1,529
Available-for-sale financial assets				
– Equity securities and mutual funds	42,315	5,687	6,927	54,929
– Debt securities	8,583	67,077	–	75,660
	52,981	73,969	6,927	133,877
As at 31 December 2016 (Audited)	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Derivative financial assets				
– Interest rate swaps	–	3	–	3
Financial assets held for trading				
– Equity securities and mutual funds	10,543	–	–	10,543
– Debt securities	131	3,120	–	3,251
Available-for-sale financial assets				
– Equity securities and mutual funds	45,388	5,322	5,785	56,495
– Debt securities	7,576	58,167	–	65,743
	63,638	66,612	5,785	136,035

For the six months ended 30 June 2017, available-for-sale debt securities with carrying amount of RMB823 million (for the six months ended 30 June 2016: RMB1,348 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 RMB1,132 million (for the six months ended 30 June 2016: RMB1,517 million) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 30 June 2017.



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

(2) Determination of fair value and the fair value hierarchy of financial instruments (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 2017 and 2016.

No sensitivity analysis for Level 3 unlisted equity investments is presented as the fair value of these unlisted equity investments was not significantly sensitive to reasonable possible changes in unobservable inputs used in the sensitivity analysis.

(c) Reconciliation of Level 3 fair value measurements

Available-for-sale equity securities	Six months ended 30 June 2017 RMB million (Unaudited)	Six months ended 30 June 2016 RMB million (Unaudited)
At 1 January	5,785	19,977
Addition	634	280
Transfer out (Note)	—	(15,850)
Unrealised gains recognised in other comprehensive income	508	382
At 30 June	6,927	4,789

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.

27. CONTINGENT LIABILITIES

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.

There were certain outstanding litigation matters against the Group as at 30 June 2017. The management of the Company believes such litigation matters will not cause significant losses to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 28. OPERATING LEASE COMMITMENTS

#### (a) As lessor

The Group leases its investment properties (note 21) under operating lease arrangements, with leases negotiated for terms mainly ranging from two to twenty years (31 December 2016: two to twenty years).

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

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Within one year	215	228
In the second to fifth years, inclusive	333	381
After five years	55	153
	<b>603</b>	762

#### (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:

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Within one year	198	294
In the second to fifth years, inclusive	636	767
After five years	310	349
	<b>1,144</b>	1,410

### 29. CAPITAL COMMITMENTS

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

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Contracted, but not provided for:		
Property and equipment	1,264	2,303
Investments	1,127	–
Authorised, but not contracted:		
Property and equipment	920	926
Investments	–	8,000
	<b>3,311</b>	11,229

30. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2017 RMB million (Unaudited)	Six months ended 30 June 2016 RMB million (Unaudited)
Transactions with the holding company:		
Rental expense and WAN service fees	47	47
Transactions with fellow subsidiaries:		
Management fee	88	77
Subscription amount of financial products set up and managed by fellow subsidiaries	1,250	540
Premiums ceded	221	249
Reinsurance commission income	127	87
Paid losses recoverable from reinsurers	114	128
Brokerage commission expense	55	48
Transactions with associates:		
Premiums ceded	1,135	N/A
Reinsurance commission income	385	N/A
Paid losses recoverable from reinsurers	28	N/A
Premiums paid	11	13
Agency services commission received	139	83
Agency services commission paid	197	91
Interest income	199	N/A
Dividend received	387	N/A
Transactions with an associate of PICC Group:		
Interest income	304	72
Dividend income	775	775
Interest expenses	15	15
Claims paid	7	44

For the six months ended 30 June 2017

### 30. RELATED PARTY TRANSACTION *(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 paid 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.

**30. RELATED PARTY TRANSACTION (continued)**
**(c) Outstanding balances with related parties**

	<b>30 June 2017</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2016 <i>RMB million</i> <b>(Audited)</b>
Cash and cash equivalents:		
An associate	32	2
An associate of PICC Group	942	41
Term deposits:		
An associate	6,500	8,500
An associate of PICC Group	14,486	10,927
Debt securities:		
An associate of PICC Group	1,969	1,870
Equity securities:		
An associate of PICC Group	21,164	20,279
Investments classified as loans and receivables:		
An associate	4,000	–
Receivables from reinsurers:		
A fellow subsidiary (note 16)	290	117
An associate (note 16)	342	N/A
Due from related parties:		
The PICC Group	123	64
A fellow subsidiary	22	11
An associate	294	208
An associate of PICC Group	349	107
Payables to reinsurers:		
A fellow subsidiary (note 23)	238	131
An associate (note 23)	1,074	N/A
Due to related parties:		
Fellow subsidiaries (note 24)	98	91
An associate of PICC Group	18	5
Bonds payable issued to:		
An associate of PICC Group	460	457

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 30. RELATED PARTY TRANSACTION *(continued)*

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

PICC Life Insurance Company Limited (“PICC Life”), PICC Health Insurance Company Limited (“PICC Health”) and PICC Reinsurance Company Limited (“PICC Reinsurance”) 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, PICC Health and PICC Reinsurance are included in “associates” 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 2017 other than the emoluments paid to them (being the key management personnel compensation).

### 31. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2017.

### 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 36, which comprise the condensed consolidated statement of financial position as at 30 June 2017 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  
25 August 2017

## OVERVIEW

In the first half of 2017, the accelerated transition of governmental functions driven by the modernisation of national governance, the accelerated transformation and upgrade of traditional industries facilitated by the structural reform on the supply-side, the overall implementation of “the Belt and Road” Initiative, the determined promotion of poverty alleviation, the full implementation of the “Healthy China” strategy and the emerging of new industries, new models and new forms of business brought more room for development of the insurance industry in China. Meanwhile, with the insurance industry placing equal emphasis on accelerating the deregulation process and financial risk prevention and given the deepening of deregulation of premium rates and the co-existence of intensified competition in the industry and cross-sector competition, the Company was confronted with new challenges with respect to serving the real economy development and upgrading supply to meet insurance demands.

Facing the new situation of changing environment at home and abroad and the new trend of market competition, the Company is keen to seize the market dynamics, strengthen the leading role of strategies, optimise organisation structure, stimulate the vitality at the basic level, improve the operation and channel layout, implement active financial policy, enhance the market benchmarking assessment, promote upgrade of supply, so as to take the initiative of development with active market strategy and enhance its leading position in the market in terms of development and profitability through professional capabilities.

- **Achieving comparatively rapid business growth and maintaining stable market share.** In the first half of 2017, the gross written premiums of the Company and its subsidiaries reached RMB179,683 million, representing an increase of 11.0% compared to the same period of last year. In particular, the gross written premiums of the motor vehicle insurance segment amounted to RMB117,847 million, representing an increase of 8.7% compared to the same period of last year, and the gross written premiums of the non-motor insurance business amounted to RMB61,836 million, representing an increase of 15.6% compared to the same period of last year. The Company’s market share in the PRC property and casualty insurance market was 34.0% (*Note*), representing an increase of 0.5 percentage points compared to the end of 2016.

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

- **Maintaining the leading position in terms of profitability with underwriting and investment serving as double driving forces.** In the first half of 2017, the Company and its subsidiaries achieved an expense ratio of 34.6%, representing a decrease of 0.2 percentage points compared to the same period of last year; the combined ratio was 95.5%, lower than the average level in the industry; underwriting profit was RMB6,516 million, representing an increase of 1.1% compared to the same period of last year; total investment income was RMB9,974 million, representing an increase of 31.2% compared to the same period of last year; net profit was RMB12,083 million, representing an increase of 13.5% compared to the same period of last year; the annualised return on equity was 19.6%, representing an increase of 0.3 percentage points compared to the same period of last year and continuing to stay at a market leading level.
- **Continuous increasing of the asset size and steady improvement of the comprehensive strength.** As at 30 June 2017, the total assets, shareholders’ equity and the size of investment assets of the Company and its subsidiaries grew continuously. Its total assets reached RMB531,092 million, representing an increase of 11.6% compared to the end of 2016; the total shareholders’ equity reached RMB127,699 million, representing an increase of 7.0% compared to the end of 2016; the total amount of investment assets reached RMB396,056 million, representing an increase of 4.2% compared to the end of 2016. The Company’s net cash flows from operating activities was RMB9,131 million, representing an increase of 70.7% compared to the same period of last year; the core solvency margin ratio was 237%, and the comprehensive solvency margin ratio was 290%, representing an increase of 5 and 3 percentage points respectively compared to the end of 2016.



### 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			
	2017		2016	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	144,167	100.0	129,156	100.0
Net claims incurred	(87,840)	(60.9)	(77,726)	(60.2)
Total expenses	(49,811)	(34.6)	(44,984)	(34.8)
Underwriting profit	6,516	4.5	6,446	5.0

### GROSS WRITTEN PREMIUMS

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

	Six months ended 30 June	
	2017	2016
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	117,847	108,397
Commercial property insurance	7,567	7,804
Liability insurance	8,873	7,323
Accidental injury and health insurance	21,196	16,429
Cargo insurance	1,715	1,614
Agriculture insurance	14,088	12,777
Other insurance	8,397	7,549
Total	179,683	161,893

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			2016	
	Amount <i>RMB million</i>	Percentage %	Increase/ (decrease) %	Amount <i>RMB million</i>	Percentage %
Direct sales	55,335	30.9	(3.7)	57,460	35.6
Insurance agents	114,659	63.9	19.9	95,630	59.2
Among which:					
Individual insurance agents	60,182	33.5	15.1	52,271	32.4
Ancillary insurance agents	26,110	14.6	1.4	25,750	15.9
Professional insurance agents	28,367	15.8	61.1	17,609	10.9
Insurance brokers	9,323	5.2	10.0	8,472	5.2
<b>Total</b>	<b>179,317</b>	<b>100.0</b>	<b>11.0</b>	<b>161,562</b>	<b>100.0</b>

Gross written premiums of the Company and its subsidiaries were RMB179,683 million in the first half of 2017, representing an increase of RMB17,790 million (or 11.0%) from RMB161,893 million in the first half of 2016. 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, agriculture insurance and liability insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB117,847 million, representing an increase of RMB9,450 million (or 8.7%) from RMB108,397 million in the first half of 2016. In the first half of 2017, the domestic new car sales growth rate declined mildly compared to the same period of last year. Seizing the opportunity presented by the second round of deregulation of premium rates of commercial motor vehicle insurance, the Company and its subsidiaries continued to enhance accurate pricing and accurate allocation of resources, continued to improve the ability of obtaining high-quality business, worked hard on improvement of the renewal rate of insurances for motor vehicles which have been in use for one to two years. While the new car business maintained a steady growth, the renewed and transferred-in business continued to drive the 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 RMB7,567 million, representing a decrease of RMB237 million (or -3.0%) from RMB7,804 million in the first half of 2016. In the first half of 2017, impacted by the fundamental adjustment of economic structure as “cutting overcapacity and increasing efficiency”, the existing business for commercial property insurance decreased and competition intensified, which led to a significant decline in premium rates. As a result, the gross written premiums of the commercial property insurance segment of the Company and its subsidiaries decreased compared to the same period of last year.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB8,873 million, representing an increase of RMB1,550 million (or 21.2%) from RMB7,323 million in the first half of 2016. In the first half of 2017, the Company and its subsidiaries maintained a good development status of traditional business such as employer’s liability insurance, safe production liability insurance, medical liability insurance, public liability insurance and product liability insurance. The first set of major technical equipment insurance, export products liability insurance, government aid insurance, extended maintenance and repair insurance for motor vehicles, online shopping freight loss insurance brought new points of growth to the Company.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB21,196 million, representing an increase of RMB4,767 million (or 29.0%) from RMB16,429 million in the first half of 2016. In the first half of 2017, critical illness insurance, new rural cooperative supplementary medical insurance and basic medical insurance for urban residents continued to maintain rapid growth. Meanwhile, the Company and its subsidiaries focused on promoting the rapid development of accidental injury insurance for drivers and rural migrant workers.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB1,715 million, representing an increase of RMB101 million (or 6.3%) from RMB1,614 million in the first half of 2016. In the first half of 2017, demands for metal raw materials, minerals, building materials and other cargos increased, which promoted the increase in the traditional cargo insurance business such as insurances for imports, waterways, combined transportation of water and land. Meanwhile, the Company and its subsidiaries achieved notable results in the expansion of personal diversified cargo insurance business such as insurance for properties carried in motor vehicles and insurance for personal luggages carried while travelling.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB14,088 million, representing an increase of RMB1,311 million (or 10.3%) from RMB12,777 million in the first half of 2016. In the first half of 2017, the local insurance coverage for state policy-subsidised planting industry gradually increased and the Company and its subsidiaries seized the opportunities presented by the policies of poverty alleviation, while maintaining the steady development of bulk agricultural and livestock products insurance, continued to enhance the development of emerging business products such as the insurance tailored to local needs and poverty alleviation insurance, explored new customers and actively conducted the pilot programme of catastrophe insurance in three major crop-production areas.

In the first half of 2017, gross written premiums of other insurance segment of the Company and its subsidiaries were RMB8,397 million, representing an increase of RMB848 million (or 11.2%) from RMB7,549 million in the first half of 2016. In the first half of 2017, the CIRC issued the Guiding Opinions on Serving the Building of “the Belt and Road” Initiative by the Insurance Industry (《關於保險業服務“一帶一路”建設的指導意見》), the Company and its subsidiaries actively explored the overseas business expansion model and made full use of international market resources and channels, as a result, the nuclear, petroleum, aerospace and credit surety insurance business obtained rapid growth. Meanwhile, homeowner insurance and construction insurance business of the Company and its subsidiaries also maintained rapid growth.

### NET EARNED PREMIUMS

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

	Six months ended 30 June	
	2017 RMB million	2016 RMB million
Motor vehicle insurance	112,242	102,211
Commercial property insurance	3,789	4,038
Liability insurance	5,601	4,673
Accidental injury and health insurance	11,390	8,957
Cargo insurance	1,205	1,114
Agriculture insurance	5,716	4,855
Other insurance	4,224	3,308
<b>Total</b>	<b>144,167</b>	<b>129,156</b>

Net earned premiums of the Company and its subsidiaries were RMB144,167 million in the first half of 2017, representing an increase of RMB15,011 million (or 11.6%) from RMB129,156 million in the first half of 2016.

## 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			
	2017		2016	
	Net claims incurred RMB million	Loss ratio %	Net claims incurred RMB million	Loss ratio %
Motor vehicle insurance	(66,351)	(59.1)	(59,819)	(58.5)
Commercial property insurance	(1,465)	(38.7)	(2,038)	(50.5)
Liability insurance	(3,202)	(57.2)	(2,587)	(55.4)
Accidental injury and health insurance	(10,405)	(91.3)	(7,870)	(87.9)
Cargo insurance	(513)	(42.6)	(448)	(40.2)
Agriculture insurance	(3,586)	(62.7)	(3,130)	(64.5)
Other insurance	(2,318)	(54.9)	(1,834)	(55.4)
<b>Total</b>	<b>(87,840)</b>	<b>(60.9)</b>	<b>(77,726)</b>	<b>(60.2)</b>

Net claims incurred of the Company and its subsidiaries in the first half of 2017 were RMB87,840 million, representing an increase of RMB10,114 million (or 13.0%) from RMB77,726 million in the first half of 2016. The loss ratio in the first half of 2017 was 60.9%, representing an increase of 0.7 percentage points compared to 60.2% in the first half of 2016.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB66,351 million, representing an increase of RMB6,532 million (or 10.9%) from RMB59,819 million in the first half of 2016. The loss ratio increased by 0.6 percentage points from 58.5% in the first half of 2016 to 59.1% in the first half of 2017. In the first half of 2017, due to the deepening of deregulation of premium rates of commercial motor vehicle insurance, the average premiums per car decreased. With the upward trends in the price of auto parts, hourly rate for maintenance work and personal injury compensation standard, the loss ratio of the motor vehicle insurance segment increased slightly compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB1,465 million, representing a decrease of RMB573 million (or -28.1%) from RMB2,038 million in the first half of 2016. The loss ratio decreased by 11.8 percentage points from 50.5% in the first half of 2016 to 38.7% in the first half of 2017. In the first half of 2017, owing to the active adjustment and optimisation of the business structure of commercial property insurance segment by the Company and its subsidiaries through the combination of underwriting strategy and risk control, and due to a relative decrease in frequencies of catastrophe compared to the same period of last year, the loss ratio of the commercial property insurance segment decreased significantly compared to the same period of last year.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB3,202 million, representing an increase of RMB615 million (or 23.8%) from RMB2,587 million in the first half of 2016. The loss ratio increased by 1.8 percentage points from 55.4% in the first half of 2016 to 57.2% in the first half of 2017. In the first half of 2017, due to an increase in the claim cost for third party injuries liability insurance, employer’s liability insurance, public liability insurance, medical liability insurance and safe production liability insurance of the Company and its subsidiaries recorded relatively high loss ratios.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB10,405 million, representing an increase of RMB2,535 million (or 32.2%) from RMB7,870 million in the first half of 2016. The loss ratio increased by 3.4 percentage points from 87.9% in the first half of 2016 to 91.3% in the first half of 2017. In the first half of 2017, the critical illness insurance, new rural cooperative supplementary medical insurance and basic medical insurance for urban residents, which had a broader coverage and higher protection, continued to maintain rapid growth, 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 RMB513 million, representing an increase of RMB65 million (or 14.5%) from RMB448 million in the first half of 2016. The loss ratio increased by 2.4 percentage points from 40.2% in the first half of 2016 to 42.6% in the first half of 2017. The loss ratio of the cargo insurance segment of the Company and its subsidiaries increased relatively in the first half of 2017 due to the increase in both claim frequencies and claim cases.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB3,586 million, representing an increase of RMB456 million (or 14.6%) from RMB3,130 million in the first half of 2016. The loss ratio decreased by 1.8 percentage points from 64.5% in the first half of 2016 to 62.7% in the first half of 2017. In the first half of 2017, due to the overall decline in natural catastrophes occurred in China and the relative decrease in the loss ratio of breeding insurance compared to the same period of last year, the overall loss ratio of agriculture insurance segment decreased.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB2,318 million, representing an increase of RMB484 million (or 26.4%) from RMB1,834 million in the first half of 2016. The loss ratio decreased by 0.5 percentage points from 55.4% in the first half of 2016 to 54.9% in the first half of 2017. In the first half of 2017, the Company and its subsidiaries continued to strengthen the management of underwriting quality and encouraged the development of high-quality business. These efforts, combined with a relative decrease in natural catastrophes compared to the same period of last year, brought down significantly the loss ratios of homeowner insurance and construction insurance compared to the same period of last year.

## 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			
	2017		2016	
	Total expenses RMB million	Expense ratio %	Total expenses RMB million	Expense ratio %
Motor vehicle insurance	(41,444)	(36.9)	(37,733)	(36.9)
Commercial property insurance	(1,641)	(43.3)	(1,748)	(43.3)
Liability insurance	(1,988)	(35.5)	(1,696)	(36.3)
Accidental injury and health insurance	(1,090)	(9.6)	(1,069)	(11.9)
Cargo insurance	(487)	(40.4)	(467)	(41.9)
Agriculture insurance	(1,737)	(30.4)	(914)	(18.8)
Other insurance	(1,424)	(33.7)	(1,357)	(41.0)
<b>Total</b>	<b>(49,811)</b>	<b>(34.6)</b>	<b>(44,984)</b>	<b>(34.8)</b>

Total expenses of the Company and its subsidiaries were RMB49,811 million, representing an increase of RMB4,827 million (or 10.7%) from RMB44,984 million in the first half of 2016. The expense ratio decreased by 0.2 percentage points from 34.8% in the first half of 2016 to 34.6% in the first half of 2017. In the first half of 2017, the Company strengthened market benchmarking, implemented active market strategy and continuously increased its efficiency of resource utilisation by optimising differentiated allocation of sales expenses and improving the dynamic adjustment mechanism of the cost budget. The underwriting expenses increased by 12.1% compared to the same period of last year. The underwriting expense ratio was 32.2%, representing an increase of 0.2 percentage points compared to the same period of last year. Meanwhile, the Company strictly implemented a comprehensive budget management and control, adopted a cost-leadership strategy, decreased administrative expenses, thereby achieving a significant decrease of expenses relating to the use of motor vehicles, travel and conferences. The administrative expenses decreased by 4.6% compared to the same period of last year, and the administrative expense ratio was 2.4%, representing a decrease of 0.4 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			
	2017		2016	
	Underwriting profit/(loss) RMB million	Underwriting profit/(loss) ratio %	Underwriting profit RMB million	Underwriting profit ratio %
Motor vehicle insurance	4,447	4.0	4,659	4.6
Commercial property insurance	683	18.0	252	6.2
Liability insurance	411	7.3	390	8.3
Accidental injury and health insurance	(105)	(0.9)	18	0.2
Cargo insurance	205	17.0	199	17.9
Agriculture insurance	393	6.9	811	16.7
Other insurance	482	11.4	117	3.6
<b>Total</b>	<b>6,516</b>	<b>4.5</b>	<b>6,446</b>	<b>5.0</b>

The Company and its subsidiaries recorded an underwriting profit of RMB6,516 million in the first half of 2017, representing an increase of RMB70 million (or 1.1%) from RMB6,446 million in the first half of 2016; and the underwriting profit ratio was 4.5%, representing a decrease of 0.5 percentage points from 5.0% in the first half of 2016.

## 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 2017		31 December 2016	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	35,102	8.9	25,144	6.6
Term deposits	67,170	17.0	68,286	18.0
Debt securities	119,095	30.1	110,645	29.1
Equity securities and mutual funds	56,688	14.3	67,038	17.6
Investments classified as loans and receivables	70,969	17.9	63,855	16.8
Investment properties	4,976	1.2	4,902	1.3
Investments in associates	38,997	9.8	37,045	9.8
Other investment assets ( <i>Note</i> )	3,059	0.8	3,061	0.8
<b>Total investment assets</b>	<b>396,056</b>	<b>100.0</b>	<b>379,976</b>	<b>100.0</b>

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

In the first half of 2017, while maintaining the overall size of the investment assets, the Company and its subsidiaries timely adjusted percentage of the equity investment positions with reference to the circumstances of the capital market and its own risk preferences. The Company and its subsidiaries increased the allocation of investments in high-quality debt securities, infrastructure debt investment schemes and asset management products, on the condition that the involved risks are controllable, with a view to expanding the channels for fund utilisation and achieving a balance between profit gaining and risk taking.

In November 2016, the Company completed its investment transaction in Hua Xia Bank with a payment of RMB22,444 million. In the first half of 2017, the Company applied equity accounting for its share of profit or loss derived from and interests in Hua Xia Bank, an associate of the Company, based on the proportion of shareholding.

As at 30 June 2017, except for Hua Xia Bank which is listed on the Main Board of The Shanghai Stock Exchange of China, all other associates of the Company are unlisted companies. In the first half of 2017, the Company's share of profits of associates was RMB2,240 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	
	2017 RMB million	2016 RMB million
Rental income from investment properties	134	125
Interest income	6,242	6,263
Dividend income	1,409	1,614
Total of interest, dividend and rental income	7,785	8,002

In the first half of 2017, investment income of the Company and its subsidiaries was RMB7,785 million, representing a decrease of RMB217 million (or -2.7%) from RMB8,002 million in the first half of 2016. In the first half of 2017, as the Company and its subsidiaries decreased the size of fund investment, the dividend income of the Company and its subsidiaries decreased by RMB205 million (or -12.7%) compared to the same period of last year.

### Net Realised and Unrealised Losses on Investments

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

	Six months ended 30 June	
	2017 RMB million	2016 RMB million
Realised gains/(losses) on investments	165	(593)
Unrealised losses on investments	(25)	(22)
Impairment losses	(207)	–
Fair value gains on investment properties	16	57
Total of net realised and unrealised losses on investments	(51)	(558)

In the first half of 2017, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB51 million, representing a decrease in net losses of RMB507 million compared to the same period of last year. In particular, as the Company complied with the capital market trends, seized the opportunity of band trade and the market rebound, adjusted the equity securities investment positions, resulting in the realised gains on investments of RMB165 million, compared to realised losses on investments of RMB593 million for the same period of last year.



**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:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<b>15,238</b>	13,628
Income tax expense	<b>(3,155)</b>	(2,980)
Profit attributable to owners of the parent	<b>12,083</b>	10,648
Total assets ( <i>Note</i> )	<b>531,092</b>	475,949

*Note:* Based on the data as at 30 June 2017 and 31 December 2016.

**PROFIT BEFORE TAX**

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB15,238 million in the first half of 2017, representing an increase of RMB1,610 million (or 11.8%) from RMB13,628 million in the first half of 2016.

**INCOME TAX EXPENSE**

Income tax expense of the Company and its subsidiaries was RMB3,155 million in the first half of 2017, representing an increase of RMB175 million from RMB2,980 million in the first half of 2016. The increase in the income tax expense of the Company and its subsidiaries was primarily due to an increase in the profit before tax in the first half of 2017.

**PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

As a result of the foregoing, profit attributable to owners of the parent increased by RMB1,435 million from RMB10,648 million in the first half of 2016 to RMB12,083 million in the first half of 2017. Basic earnings per share attributable to owners of the parent in the first half of 2017 was RMB0.815.

## 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	
	2017 <i>RMB million</i>	2016 <i>RMB million</i>
Net cash flows from operating activities	9,131	5,349
Net cash flows from investing activities	1,940	1,037
Net cash flows used in financing activities	(1,113)	(8,103)
Net increase/(decrease) in cash and cash equivalents	9,958	(1,717)

In the first half of 2017, the net cash flows from operating activities of the Company and its subsidiaries were RMB9,131 million, representing an increase of RMB3,782 million (or 70.7%) from RMB5,349 million in the first half of 2016. In the first half of 2017, the Company and its subsidiaries strengthened the process management and control of premium receivables while maintaining the steady business growth, and strengthened the assessment of collection, thereby achieving an increase in incremental premium income received, which offset the increase in cash expenses such as commissions and underwriting expenses.

In the first half of 2017, the total investment yield of the Company and its subsidiaries increased compared to the same period of last year, with the net cash flows from investing activities reaching RMB1,940 million, representing an increase in cash inflow of RMB903 million compared to the first half of 2016.

In the first half of 2017, the net cash flows used in financing activities of the Company and its subsidiaries were RMB1,113 million, representing a decrease in cash outflow of RMB6,990 million compared to the first half of 2016, mainly due to the redemption of RMB5 billion subordinated debts in the first half of 2016.

As at 30 June 2017, the cash and cash equivalents of the Company and its subsidiaries were RMB35,102 million.

## LIQUIDITY

The cash flows of the Company and its subsidiaries are primarily derived from cash generated from operating activities, which are principally 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 November 2016, the Company issued fixed-rate capital supplementary bonds of RMB15 billion and in October 2014, the Company issued fixed-rate subordinated term debts of RMB8 billion, each with a term of 10 years, to institutional investors in the PRC for the primary purposes of supplementing the capital and increasing the solvency margin of the Company.

Save for the capital supplementary bonds and subordinated term debts mentioned above, the Company and its subsidiaries did not obtain working capital by 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 properties under construction, acquisition of motor vehicles for business purposes as well as development of the information systems. Capital expenditure of the Company and its subsidiaries was RMB545 million in the first half of 2017.

### SOLVENCY MARGIN

As at 30 June 2017, the Company and its subsidiaries' actual capital was RMB149,526 million, in which core capital was RMB122,427 million, minimum capital was RMB51,649 million; comprehensive solvency margin ratio was 290%, and core solvency margin ratio was 237%.

### GEARING RATIO

As at 30 June 2017, the gearing ratio (*Note*) of the Company and its subsidiaries was 71.6%, representing an increase of 1.5 percentage points from 70.1% as at 31 December 2016.

*Note:* Gearing ratio is represented by total liabilities (excluding bonds payable) 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 2017. 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 primarily 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 strenuously control the credit risk of its debt securities investment mainly by analysing the creditworthiness of investee companies prior to making investments and by strictly conforming to the relevant regulations issued by the CIRC on the investment ratings of corporate bonds. The majority of corporate bonds held by the Company and its subsidiaries have credit ratings of AA or above.

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

### EXCHANGE RATE RISK

The Company and its subsidiaries conduct their business primarily in RMB, which is also their functional and financial reporting currency. Parts of the business of the Company and its subsidiaries (including 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 of 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 of 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.

### DEVELOPMENT OF NEW PRODUCTS

In the first half of 2017, the Company registered 85 provisions in the registration platform for recorded products provided by the Insurance Association of China, among which were 39 main insurance provisions and 46 rider provisions. Among them, 44 were national provisions and 41 were regional provisions. In addition, the Company filed 206 agriculture insurance provisions, which were all regional provisions, on the electronic filing system of insurance provisions maintained by the CIRC, among which were 193 main insurance provisions and 13 rider provisions. The Company also reported 9 national provisions to the CIRC, which are subject to the CIRC's approval. Among the 9 provisions, 8 were main insurance provisions and 1 was a rider provision.

### EMPLOYEES

As at 30 June 2017, the Company had 176,068 employees. In the first half of 2017, the Company and its subsidiaries paid a total remuneration of RMB14,509 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

At present, the economic development in China is entering into a new transitional stage and is calling for expansion and upgrade of the insurance industry, introducing new requirements for the supply capacity of the Company. With social development entering into a new growth phase, there come new requirements for the utilisation of insurance function and new expectations for the Company to act as a responsible state-owned enterprise; with science and technology development entering into a new acceleration phase, new opportunities and challenges have been brought to the insurance industry and new tests have been posed to the Company in respect of its ability to adapt to changes of the time; with insurance regulation developing in the direction of normalisation and standardisation, new tasks have been introduced to the Company on its compliance ability; with market competition undergoing a restructuring phase, the Company is confronted with new challenges on its competitiveness.

Faced with the new trends, new requirements and new challenges presented in a developing time and changing market, the Company has put forward new visions on comprehensive transformation in this new era. In keeping with the five principles of innovative, coordinated, green, open and shared development, the Company has implemented five strategies of "service upgrade, business going global, internet-oriented development, extension and integration of value chain and platformisation". Meanwhile, the Company will base its comprehensive transformation on a highly effective corporate culture and make full efforts to build a global leading property and casualty insurance company.

### 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 2017 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 2017 to the date of this interim report are as follows:

Wang Yincheng resigned as a Non-executive Director due to his personal circumstances, with effect from 6 March 2017.

Mr Wang He was originally an Executive Director and an Executive Vice President of the Company. Mr Wang He was appointed as a Supervisor at the Extraordinary General Meeting of the Company on 24 March 2017, whose term of office is three years commencing immediately after the conclusion of the Extraordinary General Meeting and expiring on 23 March 2020. To comply with the provision of the Articles of Association of the Company that neither the Directors nor the other senior management personnel of the Company shall act as the Supervisors concurrently, Mr Wang He resigned as an Executive Director and an Executive Vice President on the same day, with effect from the commencement of his term of office as a Supervisor.

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*)  
Ms Yu Xiaoping (*Non-executive Director*)  
Mr Li Tao (*Non-executive Director*)  
Mr Lin Hanchuan (*Independent Non-executive Director*)  
Mr Lo Chung Hing (*Independent Non-executive Director*)  
Mr Na Guoyi (*Independent Non-executive Director*)  
Mr Ma Yusheng (*Independent Non-executive Director*)  
Mr Chu Bende (*Independent Non-executive Director*)

The qualifications of Mr Na Guoyi, Mr Ma Yusheng and Mr Chu Bende as Directors are subject to the approvals of the CIRC.

Changes in the members of the Supervisory Committee during the period from 1 January 2017 to the date of this interim report are as follows:

At the meeting of representatives of employees of the Company on 28 February 2017, Mr Li Fuhan and Ms Gao Hong were elected as the Employee Representative Supervisors of the Company for a term of three years effective immediately after the conclusion of the meeting of representatives of employees and expiring on 27 February 2020.

Ms Qu Yonghuan and Mr Shen Ruiguo retired as the Employee Representative Supervisors of the Company on 28 February 2017.

At the Extraordinary General Meeting of the Company on 24 March 2017, Mr Wang He was appointed as a Supervisor with a term of three years commencing immediately after the conclusion of the Extraordinary General Meeting and expiring on 23 March 2020. Mr Wang He was also elected by the Supervisory Committee as the Chairman of the Supervisory Committee on the same day, whose term of office is the same as his term of office as a Supervisor.

Mr Wang Yueshu retired as a Supervisor and the Chairman of the Supervisory Committee on 24 March 2017.

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

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

Mr Li Zhuyong (*Supervisor*)

Mr Ding Ningning (*Independent Supervisor*)

Mr Lu Zhengfei (*Independent Supervisor*)

Mr Li Fuhan (*Employee Representative Supervisor*)

Ms Gao Hong (*Employee Representative Supervisor*)

The qualifications of Mr Wang He, Mr Li Fuhan and Ms Gao Hong as Supervisors are subject to the approvals of the CIRC.

#### CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Ms Yu Xiaoping, a Non-executive Director of the Company, no longer serves as the Chairman of the Board of Directors of Beijing No. 88 West Chang'an Avenue Development Company Limited.

Mr Lin Hanchuan, an Independent Non-executive Director of the Company, is also an Independent Non-executive Director of Shengang Securities Co., Ltd.

Mr Na Guoyi, an Independent Non-executive Director of the Company, no longer serves as a visiting professor of Lingnan (University) College of Sun Yat-sen University, Southwestern University of Finance and Economics and Raffles Business Institute of Singapore.

Mr Chu Bende, an Independent Non-executive Director of the Company, no longer serves as the Chairman and the Secretary-General of the China Foundation for Development of Financial Education and a Vice Chairman of the National Internet Finance Association of China.

Mr Li Zhuyong, a Supervisor of the Company, is also an arbitrator of China Maritime Arbitration Commission. Mr Li no longer serves as the General Manager of the Legal and Compliance Department of PICC Group\* and a Director of Beijing No. 88 West Chang'an Avenue Development Company Limited.

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

#### 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 "Securities Transactions Guidelines") that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions 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 Securities Transactions Guidelines during the first half of 2017.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2017, 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	368,713,906 (Note 1)	Long position	8.01%	2.49%
	Beneficial owner	17,533,336 (Note 1)	Short position	0.38%	0.12%
	Custodian corporation/ approved lending agent	79,483,657	Lending pool	1.72%	0.54%
Citigroup Inc.	Interest of controlled corporations, custodian corporation/ approved lending agent	273,718,272 (Note 2)	Long position	5.95%	1.85%
	Interest of controlled corporations	476,800 (Note 2)	Short position	0.01%	0.003%
	Custodian corporation/ approved lending agent	256,585,253	Lending pool	5.58%	1.73%
BlackRock, Inc.	Interest of controlled corporations	244,121,500 (Note 3)	Long position	5.31%	1.65%
	Interest of controlled corporations	7,310,000 (Note 3)	Short position	0.16%	0.05%



*Notes:*

1. Among which, 5,946,945 H shares (Long position) and 12,771,336 H shares (Short position) were held through derivatives, categorised as: 550,000 H shares (Long position) and 2,242,000 H shares (Short position) – through physically settled listed securities; 5,846,400 H shares (Short position) – through cash settled listed securities; 5,396,945 H shares (Long position) and 4,682,936 H shares (Short position) – through physically settled unlisted securities.
2. Among which, 10,000 H shares (Long position) and 476,800 H shares (Short position) were held through derivatives, categorised as: 10,000 H shares (Long position) – through cash settled unlisted securities; 476,800 H shares (Short position) – through physically settled unlisted securities.
3. Among which, 40,000 H shares (Long position) and 1,340,000 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 2017.

**INTERIM DIVIDEND**

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2017.

**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 2017.

**CORPORATE GOVERNANCE**

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2017.

**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 2017.

By Order of the Board  
**Wu Yan**  
*Chairman*

Beijing, the PRC  
25 August 2017

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Hua Xia Bank”	Hua Xia Bank Co., Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

