

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

2020

Company Profile

The Company, the largest property and casualty insurance company on the Chinese mainland, was established in July 2003 with PICC Group as its sole promoter. The Company became the first domestic financial enterprise listed overseas when the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 November 2003. The Company currently has a total share capital of 22,242,765,303 shares, of which 68.98% are held by PICC Group.

PRINCIPAL ACTIVITIES

Motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, homeowners insurance, marine hull insurance and other insurance business, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of the PRC.

MISSION

People's insurance serves the people

CORE VALUE

To adhere to new growth model, thrive on specialties, prosper by innovation, and govern with uprightness

VISION

To make PICC a reliable and excellent brand



PICC Publicity Film



PICC Publicity Film for the Winter Olympics

Contents

2	Financial Summary
4	President's Statement
10	Discussion and Analysis of Operating Results and Financial Conditions
35	Corporate Governance and Other Information
41	Report on Review of Condensed Consolidated Financial Statements
42	Condensed Consolidated Financial Statements and Notes
91	Definitions

* In case of any discrepancy between the Chinese version and the English version of this interim report, the Chinese version shall prevail.

Financial Summary

RESULTS

	Six months ended 30 June		
	2020 RMB million	2019 RMB million	Increase/(Decrease) %
Gross written premiums	246,304	236,036	4.4
Underwriting profit	5,339	4,339	23.0
Investment income	9,123	8,728	4.5
Net realised and unrealised gains on investments	144	818	(82.4)
Share of profits or losses of associates and joint venture	1,739	2,109	(17.5)
Profit before tax	15,817	15,169	4.3
Income tax (expense)/credit	(2,638)	1,652	-
Profit for the period	13,179	16,821	(21.7)
Basic earnings per share attributable to owners of the Company (in RMB Yuan)	0.593	0.756	(21.7)

ASSETS AND LIABILITIES

	30 June 2020 RMB million	31 December 2019 RMB million	Increase %
Total assets	682,641	596,081	14.5
Total liabilities	511,902	426,127	20.1
Total equity	170,739	169,954	0.5

Gross written premiums
246,304 RMB million

 Market share
34.0%

Underwriting profit
5,339 RMB million

 Combined ratio
97.3%

Total investment income
11,006 RMB million

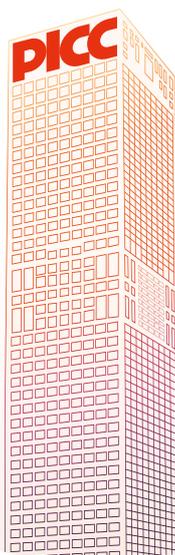
 Total Investment yield (annualised)
4.6%

Profit for the period
13,179 RMB million

 Return on equity (annualised)
15.5%

Net cash flows from operating activities
15,164 RMB million

 Comprehensive solvency margin ratio
306%



President's Statement



Mr. Xie Yiqun
*Vice Chairman,
Executive Director and
President*

DEAR SHAREHOLDERS,

This year is the decisive year of poverty alleviation and building a moderately prosperous society in all respects, and it is also a crucial year for the conclusion of the “Thirteenth Five-Year Plan” and the accomplishment of the first Centenary Goal. In face of the unexpected outbreak of COVID-19, PICC P&C has worked with people across the whole country to fight against the pandemic and to overcome hardships and severe challenges brought by COVID-19 and the downward pressure on the economy. While devoting to the prevention and control of the pandemic, the Company made no less effort in resumption of work and production. In fighting against the COVID-19 pandemic, the Company endeavored to stabilise the operation and improve abilities to tide over difficulties,

which contributed to the stable and orderly development as well as continuous improvement in operation capability of the Company. **Firstly, the Company has maintained a steady growth, and the growth rate of household automobile insurance has exceeded the market level.** In the first half of 2020, the Company recorded premium income (*Note*) of RMB245,639 million, representing an increase of 4.4% as compared to the corresponding period of last year. The premium income for June 2020 alone reached RMB45,007 million, representing an increase of 8.7% as compared to the corresponding period of last year. In the first half of 2020, the premium income of the motor vehicle insurance was RMB131,019 million, keeping pace with the market in terms of business growth. The

Note: Premium income refers to the original premium income of the Company.

premium income of the household automobile insurance amounted to RMB89,475 million, which accounted for 68.9% of the total automobile insurance premium with an increase of 1.4 percentage points as compared to the corresponding period of last year, demonstrating a continuous improvement of the business structure of motor vehicle insurance. **Secondly, the Company has continuously optimised the business structure and the number of individual customers increased steadily.** As of 30 June 2020, the premium income of the non-motor vehicle insurance business of the Company amounted to RMB114,620 million, accounting for 46.7% of the total premium income, representing an increase of 0.9 percentage points as compared to the corresponding period of last year. The number of individual customers reached 99.82 million, representing an increase of 4.3% as compared to the beginning of this year. **Thirdly, the Company led the industry in profitability and the cash flows increased greatly.** As of 30 June 2020, the combined ratio of the Company was 97.3%, representing a decrease of 0.3 percentage points as compared to the corresponding period of last year; the underwriting profit amounted to RMB5,339 million, representing an increase of 23.0% as compared to the corresponding period of last year; the profit before tax amounted to RMB15,817 million, representing an increase of 4.3% as compared to the corresponding period of last year. The net cash flows from operating activities amounted to RMB15,164 million, representing an increase of 73.7% as compared to the corresponding period of last year. **Fourthly, the online conversion rate increased rapidly, and the digital transformation stepped up in speed and efficiency.** As of 30 June 2020, the online customer rate of the household automobile insurance was 77.8%, representing an increase of 18.3 percentage points as compared to the end of 2019; the online claim service usage rate of the household automobile insurance was 91.3%, representing an increase of 24.6 percentage points as compared to the end of 2019. The official WeChat account "PICC" has served 22.73 million customers in aggregate, representing an increase of 258% as compared to the corresponding period of last year; "PICC e-Tong" recorded premium income of property insurance of RMB27,960 million, representing an increase of 204.9% as compared to the corresponding period of last year. **Fifthly, the Company has fully demonstrated its social responsibility and its**

brand image has been continuously improved. During the first half of 2020, the add-up total insured amount was RMB547 trillion, equalling twelve times the gross domestic product for the same period. The Company was the first to underwrite the "the Yangtze River Protection" project and provided exclusive insurance protection to the success of the second round of pilot exploitation of combustible ice within the sea area of China; the Company took rapid response to severe catastrophes and accidents including the tank truck explosion in Wenling, Zhejiang Province, the forest fire accidents in Xichang, Liangshan, and the floods in South China. Meanwhile, to fight against the pandemic, the Company donated RMB10 million to the Wuhan Red Cross, donated exclusive insurances to front-line medical personnel, disease-control personnel and their family members, and organised donation among the Communist Party members of the Company, which raised over RMB8.09 million, demonstrating itself as a central state-owned financial enterprise who is willing to shoulder its social responsibility.

Looking back on the first half of 2020, PICC P&C adhered to the principle of pursuing progress while maintaining stability, and coordinated the prevention and control of the pandemic and the operation of the Company. Guided by the "3411 Project" of the PICC Group, the Company aimed to build itself as a modern technology-oriented risk management company, further promoted "Ten Key Initiatives" through capability building, reformed the business model, and optimised the operation layout, so as to accelerate the transformation towards high-quality development.

Working together to fight against the pandemic and improving its capability to serve "stability on the six fronts" and "security in the six areas". The Company has expanded the scope of insurance liability to cover COVID-19, launched comprehensive insurance products such as the business interruption insurance, the portfolio product of "Guardian of Small and Micro Enterprises", "Work Resumption Protector" and "Safe and Easy Trip", and implemented "six measures for stabilising foreign trade and boosting domestic demand", so as to facilitate "stability on the six fronts" and "security in the six areas". The Company has upgraded its insurance services, arranged green channels for claim settlement, removed

certain restrictive provisions, and simplified documental and procedural requirements for claim settlement, to render full and fast claim payment on an eligible basis. The Company has also leveraged the advantages of its network to form teams consisting of Communist Party members and volunteer service teams, upgraded the model of "Traffic Police and Insurer Joint Work", built a joint prevention and control mechanism of "Grid + Police + Insurance", and made its own contribution in fighting the pandemic by shouldering the responsibility.

Upgrading the insurance supply and promoting the capability of developing new markets. On the one hand, the Company has speeded up the operation layout of individual insurance business, set up a department of individual non-motor vehicle insurance, formulated a development plan for individual non-motor vehicle insurance business for 2020, started the development of the "Enjoy Life" service platform, promoted the construction of a matrix of medical products providing million level protection, upgraded health management services, and strategically developed the individual non-motor vehicle insurance business. On the other hand, the Company has strengthened and improved its group insurance business by raising protection standards, expanding business scope and increasing product types, served stabilisation of production and ensuring provision, and consolidated its leading edge in agriculture insurance. As of 30 June 2020, the premium income of the agriculture insurance business amounted to RMB25,528 million, representing an increase of 16.6% as compared to the corresponding period of last year and accounting for 47% in terms of market share; the Company has expanded the insurance coverage, strengthened the social medical insurance business and ensured its leading position in health insurance sector. As of 30 June 2020, the premium income of the social medical insurance of the Company reached RMB40,467 million, representing an increase of 25.1% as compared to the corresponding period of last year. The Company has also undertaken 1,247 varied social medical insurance projects, covering a population of 0.62 billion in 284 cities of 30 provinces (including municipalities and autonomous regions). The Company has

initiated an emergency public health assistance insurance to promote the building of an emergency public health catastrophe insurance mechanism, covering a population of 30.20 million in 32 provinces. The Company has launched the first catastrophe insurance of the country that covers the flooding and typhoon, and accelerated the development of governance-oriented liability insurance business including safe production liability insurance and elevator insurance, continuously exploring new areas of business development.

Innovating technology empowerment and promoting operation and management capability. The Company has promoted online services by building a three-in-one online service system providing "manual service + self-service + robot service", established a closed-loop operation and management system of customer experience, planned digital claim settlement of the Company, and promoted AI-enabled quality inspection and loss assessment. The Company has promoted online sales by vigorously developing contactless distribution channels such as telemarketing and online sales, "PICC" APP, "PICC V League", "PICC e-Tong", and "95518 service hotline", increased the sales capacity of its own channels, accelerated the upgrading of "PICC" APP and formed a new customer-acquisition model of "online registration of existing offline customers + exploration of online potential customers". The Company has promoted online operation by completing the preparation for the online operation sharing center, established a professional operation team to continuously promote the construction of infrastructure, technical framework, and middle-stage application as well as the implementation of new frameworks such as reconstruction of the core system, the design of user experience interface, the construction of security system and cybersecurity transformation, so as to fully support the digital transformation of service, sales, management and operation of the Company. The Company has also promoted remote office systems such as VPN and cloud desktops, as well as new training models such as "onsite + remote" and "offline + online".

Improving the value creation capability through cost reduction and profitability enhancement as well as risk prevention. The Company has implemented loss-reduction plans through proactively eliminating long-term non-performing businesses, adjusting business structures, and improving underwriting quality. The Company has continuously carried out the "Thunderbolt Action", launched the "Lean Project" managing the claim settlement of commercial non-motor vehicle insurances, and reduced profit leakage from claim settlement. The Company has built a catastrophe emergency command-and-dispatch platform, established an alert-and-response mechanism during the flood season, strengthened the prevention of disaster and loss, and implemented risk mitigation management. The Company has also paid close attention to risk exposure of the quasi-financial business, proactively reduced credit and surety insurances and smoothly disposed the quasi-financial business. Meanwhile, the Company has improved management of premiums receivable, prevented systematic risks, ensured stable cash flows, and improved profitability.

Focusing on the strengthening of weaknesses and enhancing regional competitiveness. The Company has upgraded the "one-on-one" assistance model, launched competence assistance programs, deepened digital transformation, created a service ecosystem, strengthened the connection between partners, reconstructed the model for customer acquisition of household automobile insurance in central cities, and built online operating platforms for central cities. As of 30 June 2020, the renewal rate of household automobile insurance in central cities hit 71.7%, which was 0.5 percentage points higher than that of the Company. The Company has relied on technology to empower rural networks, optimised the layout of distribution channels, and improved the ability to develop low-cost businesses in county areas, and the premium growth rate in county-level markets was 10.2%, which was 5.8 percentage points higher than that of the Company. The Company has also implemented the "Robust Plan" for weak institutions to stimulate their vitality and bring out their internal motivation for development.

"Standing firm against storms from all directions." Looking forward to the future, PICC P&C will, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, navigate the storm successfully, move forward steadily, innovate technology empowerment, transform business models, improve management capabilities in all aspects, strive to forge a new development pattern for the "Fourteenth Five-Year Plan", and serve our customers, repay our shareholders, reward our employees, as well as return to the society with excellent business performance.

Xie Yiqun

Vice Chairman, Executive Director and President

Beijing, the PRC

21 August 2020

Working Together To Fight Against The Pandemic And Serving “Stability On The Six Fronts” and “Security In The Six Areas”

ORGANISING DONATION TO FIGHT AGAINST THE PANDEMIC

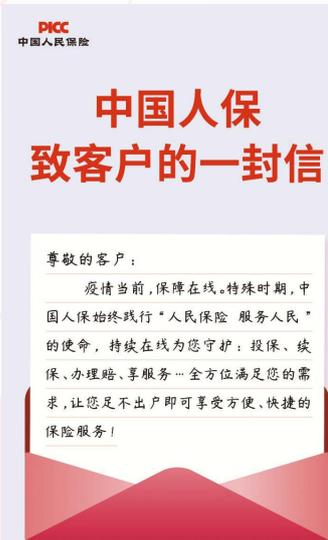
The Company donated RMB10 million to the Wuhan Red Cross at the first opportunity; donated exclusive insurances to the front-line medical personnel, disease-control personnel and their family members. The Company organised donation among the Communist Party members of the Company, raising an amount of over RMB8.09 million.

DEVELOPING INSURANCE PRODUCTS IN RESPONSE TO THE PANDEMIC

The Company expanded the insurance coverage to include COVID-19 and launched comprehensive insurance products such as the business interruption insurance, the portfolio products of “Guardian of Small and Micro Enterprises”, “Work Resumption Protector”, and “Safe and Easy Trip” to mitigate the safety concern relating to resumption of work and production of enterprises and ensure health commuting for the employees.

UPGRADING INSURANCE SERVICE

The Company arranged green channels for claim settlement, removed five restrictive provisions including the restriction on medical deductibles, simplified documental and procedural requirements for claim settlement, to provide full and fast claim payment on a reasonable basis.



PROVIDING ASSISTANCE FOR ENTERPRISES TO TIDE OVER DIFFICULTIES

The Company implemented “six measures for stabilising foreign trade and boosting domestic demand”, and expanded and upgraded the supply of the trade credit insurance, tariff guarantee insurance, tender guarantee insurance and other insurances to relieve small and micro enterprises engaged in domestic and international trade from difficulties in terms of fund, production and sale.

GUARANTEE SPRING PLOUGHING AND FARMING PREPARATION

The Company implemented the central government’s working requirements for spring farming as well as stabilisation of production and security in supply, actively contributed to the stabilisation of production and security in supply regarding the “Rice Bag” and the “Vegetable Basket”, and expanded the coverage of pig insurance.

ACTIVELY PARTICIPATING IN JOINT PREVENTION AND CONTROL OF THE PANDEMIC

The Company has leveraged its advantages in network to form teams consisting of Communist Party members and volunteer service teams, upgraded the model of “Traffic Police and Insurer Joint Work”, built a joint prevention and control mechanism of “Grid + Police + Insurance”, and assisted the government in prevention and control of the pandemic on a regular basis.



Discussion and Analysis of Operating Results and Financial Conditions

I. PERFORMANCE HIGHLIGHTS

In the first half of 2020, in face of the severe challenges brought by COVID-19 and the complicated and volatile domestic and international environments, the Company and its subsidiaries consistently proceeded from the overall situation of taking prevention and control of the pandemic as a routine practice and serving “stability on the six fronts” and “security in the six areas”, took transformation towards high-quality development as the main theme, thoroughly implemented the “3411 Project” of PICC Group, took solid steps to promote “Ten Key Initiatives”, coordinated various tasks of stabilising growth, promoting reformation, enhancing valuation, reinforcing security, reducing cost and preventing risks. While proactively conducting the joint prevention and control of the pandemic, the Company and its subsidiaries innovated business development model, further promoted online conversion of businesses, transformed business model, further integrated policy-oriented business and commercial business; innovated product supply, upgraded insurance security service, focused on “cost reduction and profitability improvement”, optimised business structure, improved corporate governance and risk control system, upheld the bottom line of non-occurrence of systematic risks, and achieved new progress in the transformation towards high-quality development.

PROACTIVELY COPING WITH THE IMPACT OF COVID-19 AND ACHIEVING BUSINESS PROGRESS WHILE MAINTAINING STABILITY

In the first half of 2020, in face of the risks and challenges brought by the pandemic, the Company and its subsidiaries overcame difficulties, vigorously developed the contactless online service model, proactively adjusted the business structure, devoted every effort to resolve and prevent business risks, and recorded gross written premiums amounting to RMB246,304 million, representing an increase of 4.4% as compared to the corresponding period of last year. Of which, the gross written premiums of the motor vehicle insurance were RMB131,019 million, representing an increase of 2.8% as compared to the corresponding period of last year, with a market-leading incremental premium; the gross written premiums of the non-motor vehicle insurance achieved RMB115,285 million, representing an increase of 6.2% as compared to the corresponding period of last year. The Company’s market share accounted for 34.0% in property and casualty insurance market in the PRC (Note), representing an increase of 0.8 percentage points as compared to the beginning of this year.



Gross written premiums

246,304

RMB million



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

UNDERWRITING PROFIT GROWING STEADILY AND DEVELOPMENT QUALITY ADVANCING CONSISTENTLY



Profit for the period

13,179

RMB million

In the first half of 2020, the Company and its subsidiaries insisted on the principle of profitability priority and high-quality development, and recorded the profit before tax of RMB15,817 million, representing an increase of 4.3% as compared to the corresponding period of last year. Of which, the underwriting profit of the insurance business was RMB5,339 million, representing an increase of 23.0% as compared to the corresponding period of last year; the combined ratio was 97.3%, representing a decrease of 0.3 percentage points as compared to the corresponding period of last year. The underwriting results improved steadily. The profit for the period reached RMB13,179 million, representing a decrease of 21.7% as compared to the corresponding period of last year, or representing an increase of 4.7% as compared to the corresponding period of last year (excluding the influence of tax policy changes on commission expenses in 2019). The annualised return on equity was 15.5%, maintaining a relatively high level.

STABILISING FINANCIAL OPERATION AND CONTINUOUSLY REINFORCING COMPREHENSIVE STRENGTHS

The Company and its subsidiaries continuously reinforced the operation foundation, enhanced operation stability, and further improved reserve adequacy as compared to the beginning of this year. The net cash flows from operating activities reached RMB15,164 million, representing an increase of RMB6,435 million as compared to the corresponding period of last year, and the net cash flows generated from each premium of RMB100 was RMB6.17, demonstrating a significant improvement of liquidity. The core solvency margin ratio was 262% and the comprehensive solvency margin ratio was 306%, indicating a trend of steady growth. Due to the outstanding industry position and continuously improved comprehensive strengths of the Company, the rating assigned by Moody's Investors Service in terms of insurance financial strength of the Company maintained as A1, which is the highest rating on the Chinese mainland.



Net cash flows from operating activities

15,164
RMB million



Comprehensive solvency margin ratio

306%

ACCELERATING THE IMPLEMENTATION OF DIGITAL STRATEGY AND COMPREHENSIVELY UPGRADING ONLINE SERVICE CAPABILITY

In face of the challenges brought by the pandemic, the Company and its subsidiaries turned adversity into opportunities, speeded up digital transformation, and greatly improved the level of online businesses. As of 30 June 2020, the online customer rate of the household automobile insurance was 77.8%, representing an increase of 18.3 percentage points as compared to the end of last year; the online claim service usage rate of the household automobile insurance was 91.3%, representing an increase of 24.6 percentage points as compared to the end of last year. As of 30 June 2020, "PICC" APP has served over 23 million customers in aggregate, representing an increase of 248% as compared to the corresponding period of last year. "PICC e-Tong" recorded a premium income of the property insurance amounting to RMB27,960 million, representing an increase of 204.9% as compared to the corresponding period of last year. The Company also promoted VPN remote office systems and online training, and accelerated digital upgrades of operation management.



Online customer rate of the household automobile insurance

77.8%



Online claim service usage rate of the household automobile insurance

91.3%

II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

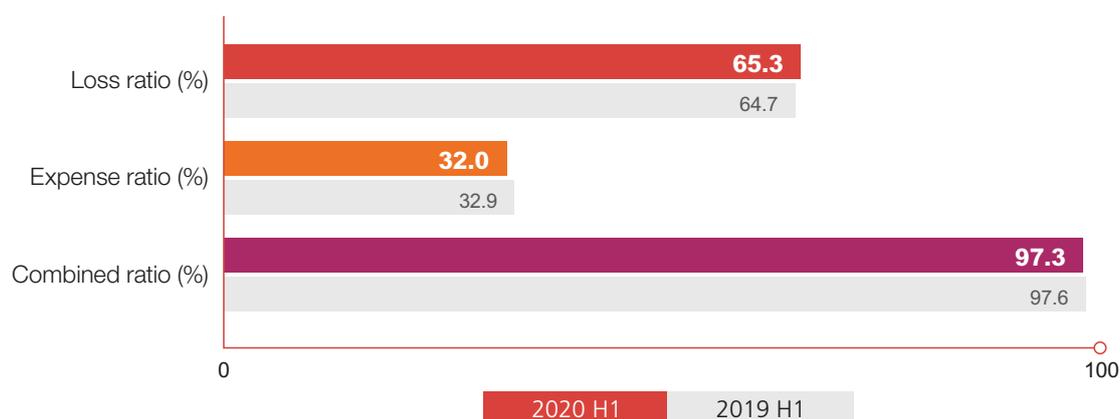
(I) INSURANCE BUSINESS

1. Business overview

Underwriting results

In the first half of 2020, the gross written premiums of the Company and its subsidiaries reached RMB246,304 million, representing an increase of RMB10,268 million (or 4.4%) as compared to the corresponding period of last year. The business growth was largely driven by the development of the motor vehicle insurance, agriculture insurance, accidental injury and health insurance businesses. The Company and its subsidiaries continuously improved service capability of claim settlement as well as focused on “cost reduction and profitability improvement”. The combined ratio was 97.3%, representing a decrease of 0.3 percentage points as compared to the corresponding period of last year; the loss ratio was 65.3%, representing an increase of 0.6 percentage points as compared to the corresponding period of last year; and expense ratio was 32.0%, representing a decrease of 0.9 percentage points as compared to the corresponding period of last year.

Combined ratio of the insurance business



The following table sets forth the key operating results and selected financial indicators of the insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2020 RMB million	2019 RMB million	Increase/(Decrease) %
Gross written premiums	246,304	236,036	4.4
Net earned premiums	194,484	180,188	7.9
Net claims incurred	(126,885)	(116,654)	8.8
Total expenses	(62,260)	(59,195)	5.2
Underwriting profit	5,339	4,339	23.0
Loss ratio (%)	(65.3)	(64.7)	Increase by 0.6 pp
Expense ratio (%)	(32.0)	(32.9)	Decrease by 0.9 pp
Combined ratio (%)	(97.3)	(97.6)	Decrease by 0.3 pp

Distribution channels

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

	Six months ended 30 June				
	2020		Increase/ (Decrease) %	2019	
	Amount <i>RMB million</i>	Percentage %		Amount <i>RMB million</i>	Percentage %
Insurance agents	144,858	59.0	(0.3)	145,287	61.7
Among which:					
Individual insurance agents	76,848	31.3	13.1	67,937	28.8
Ancillary insurance agents	20,569	8.4	(17.4)	24,887	10.6
Professional insurance agents	47,441	19.3	(9.6)	52,463	22.3
Direct sales	82,175	33.4	15.8	70,966	30.2
Insurance brokers	18,606	7.6	(2.5)	19,082	8.1
Total	245,639	100.0	4.4	235,335	100.0

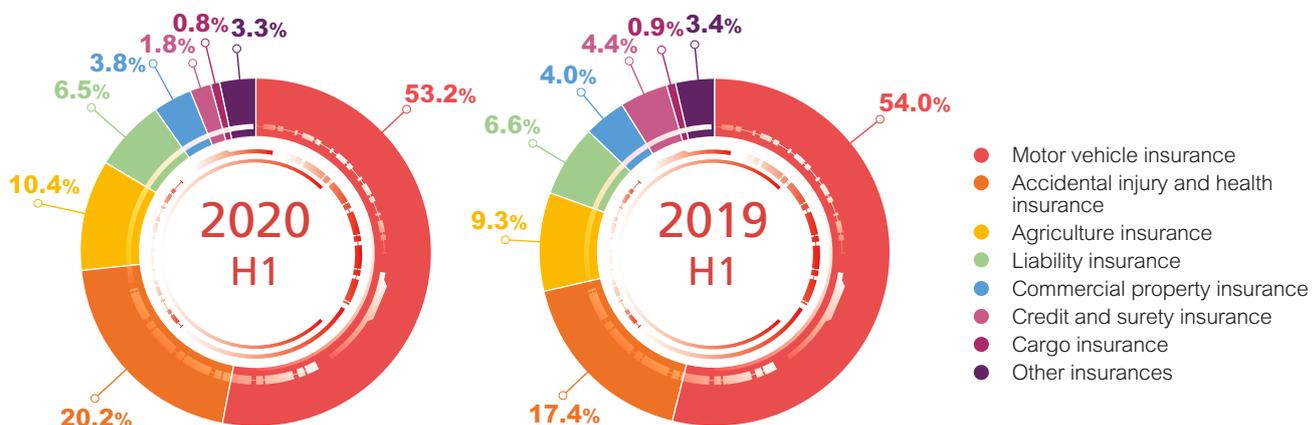
Geographical segments

The following table sets forth the direct written premiums of the Company and its subsidiaries by top ten regions for the relevant periods:

	Six months ended 30 June		
	2020	2019	Increase/ (Decrease)
	<i>RMB million</i>	<i>RMB million</i>	%
Jiangsu Province	22,869	21,081	8.5
Guangdong Province	22,383	24,189	(7.5)
Zhejiang Province	17,272	15,272	13.1
Shandong Province	15,782	14,268	10.6
Hebei Province	15,146	13,859	9.3
Sichuan Province	11,641	10,746	8.3
Hunan Province	10,934	9,249	18.2
Hubei Province	10,903	11,522	(5.4)
Anhui Province	10,209	9,092	12.3
Fujian Province	9,516	9,319	2.1
Other regions	98,984	96,738	2.3
Total	245,639	235,335	4.4

2. Operating results by insurance segments

Composition of gross written premiums



Combined ratio by insurance segments

Insurance Segment	Loss ratio (%)	Expense ratio (%)	Combined ratio %	Year-on-year change pp
Motor vehicle insurance	57.6	37.2	94.8	↓3.3
Accidental injury and health insurance	89.1	12.5	101.6	↑0.1
Agriculture insurance	72.5	25.5	98.0	↑3.1
Liability insurance	61.1	35.5	96.6	↑1.0
Commercial property insurance	47.0	39.8	86.8	↑3.4
Credit and surety insurance	120.0	18.6	138.6	↑40.6
Cargo insurance	38.3	44.9	83.2	↑2.6
Other insurances	43.8	35.6	79.4	↓10.5

(1) Motor vehicle insurance

The following table sets forth the key operating results and selected financial indicators of the motor vehicle insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 RMB million	2019 RMB million	
Gross written premiums	131,019	127,487	2.8
Net earned premiums	127,261	121,179	5.0
Net claims incurred	(73,347)	(74,674)	(1.8)
Total expenses	(47,283)	(44,248)	6.9
Underwriting profit	6,631	2,257	193.8
Loss ratio (%)	(57.6)	(61.6)	Decrease by 4.0 pp
Expense ratio (%)	(37.2)	(36.5)	Increase by 0.7 pp
Combined ratio (%)	(94.8)	(98.1)	Decrease by 3.3 pp

In the first half of 2020, in face of the impact of continuous decline in production and sales volume of motor vehicles as well as the impact of COVID-19 on motor vehicle insurance business, the Company and its subsidiaries proactively expanded the new motor vehicle insurance business and gained a higher market share in new motor vehicle insurance business as compared to the corresponding period of last year; meanwhile, the Company and its subsidiaries further exploited the existing market, continuously promoted the construction of renewal business service team, and accelerated the integrative development of channels. The renewal ratio increased as compared to the corresponding period of last year. The gross written premiums of motor vehicle insurance was RMB131,019 million, representing an increase of RMB3,532 million (or 2.8%) as compared to the corresponding period of last year. While vigorously expanding the market, the Company and its subsidiaries also continuously adjusted and optimised the business structure, achieved an industry-leading growth rate in household automobile insurance business, and continuously improved the quality of the motor vehicle insurance business.

In terms of claim settlement, the Company and its subsidiaries proactively promoted the “Traffic Police and Insurer Joint Work” and “Yuhang Model”, introduced contactless claim settlement service during the pandemic, and continuously improved the claim settlement service capability. The Company and its subsidiaries reinforced control over cost reduction and profitability improvement, effectively offset the adverse impact of the rise in prices of auto parts and working hours and the higher compensation standard for personal injury by taking loss-reduction measures including payment recovery, technology-oriented claim settlement, and “Jia’anpei” order-and-supply platform. Besides, the claim frequency declined. As a result, the loss ratio decreased by 4.0 percentage points as compared to the corresponding period of last year, the combined ratio decreased by 3.3 percentage points as compared to the corresponding period of last year, and the underwriting profit increased by RMB4,374 million (or 193.8%) as compared to the corresponding period of last year.

(2) Accidental injury and health insurance

The following table sets forth the key operating results and selected financial indicators of the accidental injury and health insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 RMB million	2019 RMB million	
Gross written premiums	49,691	40,937	21.4
Net earned premiums	29,956	24,114	24.2
Net claims incurred	(26,683)	(21,214)	25.8
Total expenses	(3,738)	(3,267)	14.4
Underwriting loss	(465)	(367)	–
Loss ratio (%)	(89.1)	(88.0)	Increase by 1.1 pp
Expense ratio (%)	(12.5)	(13.5)	Decrease by 1.0 pp
Combined ratio (%)	(101.6)	(101.5)	Increase by 0.1 pp

In the first half of 2020, the Company and its subsidiaries continuously implemented the “Healthy China” strategy and the national poverty alleviation strategy, drove the significant growth of the social medical insurance business including the critical illness insurance, basic medical insurance, and poverty alleviation and medical aid insurance. In terms of commercial accidental injury and health insurance, the Company and its subsidiaries proactively expanded the traditional market, promoted the relatively fast development of traditional insurances such as the motor vehicle accident insurance for both drivers and passengers. Meanwhile, the Company and its subsidiaries put more efforts to product innovation and promotion, which resulted in fast development of million-coverage medical insurance products such as “Ren Ren An Kang” and “WeSure Medical Insurance” as well as statutory infectious disease insurance products such as “Work Resumption Protector”. The simultaneous growth of social medical insurance and commercial accidental injury and health insurance businesses have contributed to an increase of RMB8,754 million (or 21.4%) in the gross written premiums of accidental injury and health insurance as compared to the corresponding period of last year. Due to the adjustments of business structure, social medical insurance, which had a higher insurance obligation, accounted for a higher percentage in accidental injury and health insurance, and the loss ratio of accidental injury and health insurance as a whole increased by 1.1 percentage points to 89.1% as compared to the corresponding period of last year. The underwriting loss was RMB465 million, representing an increase in loss of RMB98 million as compared to the corresponding period of last year.

(3) Agriculture Insurance

The following table sets forth the key operating results and selected financial indicators of the agriculture insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Gross written premiums	25,695	22,031	16.6
Net earned premiums	10,239	9,629	6.3
Net claims incurred	(7,422)	(7,308)	1.6
Total expenses	(2,614)	(1,828)	43.0
Underwriting profit	203	493	(58.8)
Loss ratio (%)	(72.5)	(75.9)	Decrease by 3.4 pp
Expense ratio (%)	(25.5)	(19.0)	Increase by 6.5 pp
Combined ratio (%)	(98.0)	(94.9)	Increase by 3.1 pp

In the first half of 2020, the Company and its subsidiaries adhered to the implementation of the rural rejuvenation strategy and the campaign to alleviate poverty, further promoted the agriculture insurance supply-side structural reform, made solid progress in raising protection standards, expanding business scope and increasing product types, improved agriculture insurance service capability so as to better satisfy the increasing need of insurance protection with regards to “agriculture, rural areas, and farmers”, further consolidated and strengthened the leading advantages of the Company in the agriculture insurance market, effectively promoted the rapid development of the agriculture insurance business. The gross written premiums of the agriculture insurance was RMB25,695 million, representing an increase of RMB3,664 million (or 16.6%) as compared to the corresponding period of last year.

In the first half of 2020, the reinsurance policy adjusted in which the cession rate of agriculture insurance increased, leading to a decrease in the generation rate of the net earned premiums, and the reinsurance commission income decreased as compared to the corresponding period of last year. As a result, the expense ratio increased by 6.5 percentage points as compared to the corresponding period of last year. On the other hand, the loss ratio of agriculture insurance decreased by 3.4 percentage points as compared to the corresponding period of last year, among which the loss ratio of breeding insurance and forest insurance decreased relatively as compared to the corresponding period of last year while the loss ratio of the planting insurance increased as compared to the corresponding period of last year due to the influence of natural disasters including floods, typhoons, hail and frost.

(4) Liability insurance

The following table sets forth the key operating results and selected financial indicators of the liability insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 RMB million	2019 RMB million	
Gross written premiums	15,934	15,645	1.8
Net earned premiums	9,784	9,653	1.4
Net claims incurred	(5,981)	(5,347)	11.9
Total expenses	(3,474)	(3,885)	(10.6)
Underwriting profit	329	421	(21.9)
Loss ratio (%)	(61.1)	(55.4)	Increase by 5.7 pp
Expense ratio (%)	(35.5)	(40.2)	Decrease by 4.7 pp
Combined ratio (%)	(96.6)	(95.6)	Increase by 1.0 pp

In the first half of 2020, as adversely impacted by the pandemic, traditional insurance businesses such as employer liability insurance, carrier liability insurance, school liability insurance, and motor vehicle related liability insurance encountered a growth slowdown. New businesses such as litigation liability insurance and internet related insurance also faced a sharp decline. Along with the continuous resumption of work, production and school, the liability insurance business has shown a trend of increase after the decrease, and the gross written premiums increased by RMB289 million (or 1.8%) as compared to the corresponding period of last year.

In the first half of 2020, with the higher personal injury compensation standard echoing the increase in the average income of the society, the claim cost of personal injury insurances including employer liability insurance, work safety liability insurance increased, leading to an increase of 5.7 percentage points as compared to the corresponding period of last year in the loss ratio of liability insurance as a whole. The underwriting profit was RMB329 million, representing a decrease of RMB92 million (or -21.9%) as compared to the corresponding period of last year.

(5) Commercial property insurance

The following table sets forth the key operating results and selected financial indicators of the commercial property insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Gross written premiums	9,411	9,388	0.2
Net earned premiums	4,593	4,586	0.2
Net claims incurred	(2,158)	(2,072)	4.2
Total expenses	(1,827)	(1,754)	4.2
Underwriting profit	608	760	(20.0)
Loss ratio (%)	(47.0)	(45.2)	Increase by 1.8 pp
Expense ratio (%)	(39.8)	(38.2)	Increase by 1.6 pp
Combined ratio (%)	(86.8)	(83.4)	Increase by 3.4 pp

In the first half of 2020, impacted by the pandemic and the slowdown of domestic economy, the growth rate of the commercial property insurance business of the Company and its subsidiaries slowed down and the gross written premiums increased by RMB23 million (or 0.2%) as compared to the corresponding period of last year. Meanwhile, the Company and its subsidiaries actively carried out risk management and control, adjusted the business structure, strengthened the prevention of disasters and loss. However, the loss ratio of commercial property insurance increased by 1.8 percentage points as compared to the corresponding period of last year mainly due to the impact of the pandemic and the floods. Considering the changes on aging profile of premiums receivable brought by the pandemic, the Company and its subsidiaries cautiously assessed the impairment losses on premiums receivable. The impairment losses of commercial property insurance increased as compared to the corresponding period of last year, and the expense ratio increased by 1.6 percentage points as compared to the corresponding period of last year.

(6) Credit and surety insurance

The following table sets forth the key operating results and selected financial indicators of the credit and surety insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 RMB million	2019 RMB million	
Gross written premiums	4,318	10,437	(58.6)
Net earned premiums	7,643	5,773	32.4
Net claims incurred	(9,173)	(3,545)	158.8
Total expenses	(1,418)	(2,114)	(32.9)
Underwriting (loss)/profit	(2,948)	114	–
Loss ratio (%)	(120.0)	(61.4)	Increase by 58.6 pp
Expense ratio (%)	(18.6)	(36.6)	Decrease by 18.0 pp
Combined ratio (%)	(138.6)	(98.0)	Increase by 40.6 pp

In the first half of 2020, the Company and its subsidiaries continuously reinforced business risk management and control, actively adjusted the business structure, and gradually reduced the risk exposure. As a result, the gross written premiums of credit and surety insurance decreased by RMB6,119 million (or -58.6%) to RMB4,318 million from RMB10,437 million in the first half of 2019. Due to the increasing social credit risk caused by the pandemic, the business delinquency rate increased and the loss ratio of the credit and surety insurance reached 120.0%, representing an increase of 58.6 percentage points as compared to the corresponding period of last year. The combined ratio increased 40.6 percentage points as compared to the corresponding period of last year, and the underwriting loss was RMB2,948 million. The Company and its subsidiaries has reinforced the collection, indemnity and process control after loan originations and will take further steps to resolve, prevent and control risks and enhance the ability of reducing loss and improving profitability.

(7) Cargo insurance

The following table sets forth the key operating results and selected financial indicators of the cargo insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	Increase/(Decrease) %
Gross written premiums	2,020	2,140	(5.6)
Net earned premiums	1,346	1,415	(4.9)
Net claims incurred	(516)	(597)	(13.6)
Total expenses	(604)	(544)	11.0
Underwriting profit	226	274	(17.5)
Loss ratio (%)	(38.3)	(42.2)	Decrease by 3.9 pp
Expense ratio (%)	(44.9)	(38.4)	Increase by 6.5 pp
Combined ratio (%)	(83.2)	(80.6)	Increase by 2.6 pp

In the first half of 2020, impacted by the pandemic, the freight volume dropped sharply and the cargo insurance market scale shrank. The Company and its subsidiaries recorded a gross written premiums of the cargo insurance of RMB2,020 million, representing a decrease of RMB120 million (or -5.6%) as compared to the corresponding period of last year. Due to decreased claim frequency during the pandemic period, the loss ratio of the cargo insurance decreased by 3.9 percentage points as compared to the corresponding period of last year, while the expense ratio increased by 6.5 percentage points as compared to the corresponding period of last year as a result of a more intensive market competition.

(8) Other insurances

The following table sets forth the key operating results and selected financial indicators of other insurances of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Increase/(Decrease) %
	2020 RMB million	2019 RMB million	
Gross written premiums	8,216	7,971	3.1
Net earned premiums	3,662	3,839	(4.6)
Net claims incurred	(1,605)	(1,897)	(15.4)
Total expenses	(1,302)	(1,555)	(16.3)
Underwriting profit	755	387	95.1
Loss ratio (%)	(43.8)	(49.4)	Decrease by 5.6 pp
Expense ratio (%)	(35.6)	(40.5)	Decrease by 4.9 pp
Combined ratio (%)	(79.4)	(89.9)	Decrease by 10.5 pp

The Company and its subsidiaries served the supply-side structural reform as well as promoted the economic development involving “Three New Elements” (new technology, new business and new method). Meanwhile, the Company and its subsidiaries insisted on the principle of profitability priority, further optimised the business structure, reinforced the process of risk management and control, and realised scale expansion and profitability improvement. In the first half of 2020, the gross written premiums of other insurances was RMB8,216 million, representing an increase of RMB245 million (or 3.1%) as compared to the corresponding period of last year; the combined ratio was 79.4%, representing a decrease of 10.5 percentage points as compared to the corresponding period of last year; the loss ratio was 43.8%, representing a decrease of 5.6 percentage points as compared to the corresponding period of last year; the expense ratio was 35.6%, representing a decrease of 4.9 percentage points as compared to the corresponding period of last year. Each type of other insurances recorded underwriting profit and the total amount of the underwriting profit was RMB755 million, representing an increase of RMB368 million (or 95.1%) as compared to the corresponding period of last year.

(III) INSURANCE FUNDS INVESTMENT BUSINESS**1. Investment results**

	Six months ended 30 June		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Investment income	9,123	8,728	4.5
Net investment income	9,123	8,728	4.5
Net realised and unrealised gains on investments	144	818	(82.4)
Share of profits or losses of associates and joint venture	1,739	2,109	(17.5)
Total investment income	11,006	11,655	(5.6)
Net investment yield (annualised) (%)	3.8	4.0	Decrease by 0.2 pp
Total investment yield (annualised) (%)	4.6	5.3	Decrease by 0.7 pp
Total investment assets (<i>Note</i>)	493,567	464,751	6.2

Note: Based on the data as at 30 June 2020 and 31 December 2019.

2. Investment income

	Six months ended 30 June		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Operating lease income from investment properties	103	123	(16.3)
Interest income	7,034	6,969	0.9
Dividend income	1,986	1,636	21.4
Total of investment income	9,123	8,728	4.5

In the first half of 2020, the investment income of the Company and its subsidiaries was RMB9,123 million, representing an increase of RMB395 million (or 4.5%) from RMB8,728 million in the first half of 2019, primarily due to an increase in perpetual bonds and perpetual financial products by the Company, which resulted in an increase in the dividend income of RMB350 million (or 21.4%) as compared to the corresponding period of last year.

3. Net realised and unrealised gains on investments

	Six months ended 30 June		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Realised gains on investments	2,318	1,334	73.8
Unrealised (losses)/gains on investments	(25)	56	–
Impairment losses	(2,143)	(535)	300.6
Fair value losses on investment properties	(6)	(37)	(83.8)
Total of net realised and unrealised gains on investments	144	818	(82.4)

In the first half of 2020, the Company and its subsidiaries seized market opportunities, optimised the structure of equity assets, and adjusted the positions in equity assets. The realised gains on investments increased by RMB984 million to RMB2,318 million from RMB1,334 million in the first half of 2019. Meanwhile, due to impact of risk events involved in certain equity project and provisions on financing project, there was an increase of RMB1,608 million in the impairment loss as compared to the corresponding period of last year.

4. Share of profits or losses of associates and joint venture

	Six months ended 30 June		Decrease %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Share of profits or losses of associates and joint venture	1,739	2,109	(17.5)

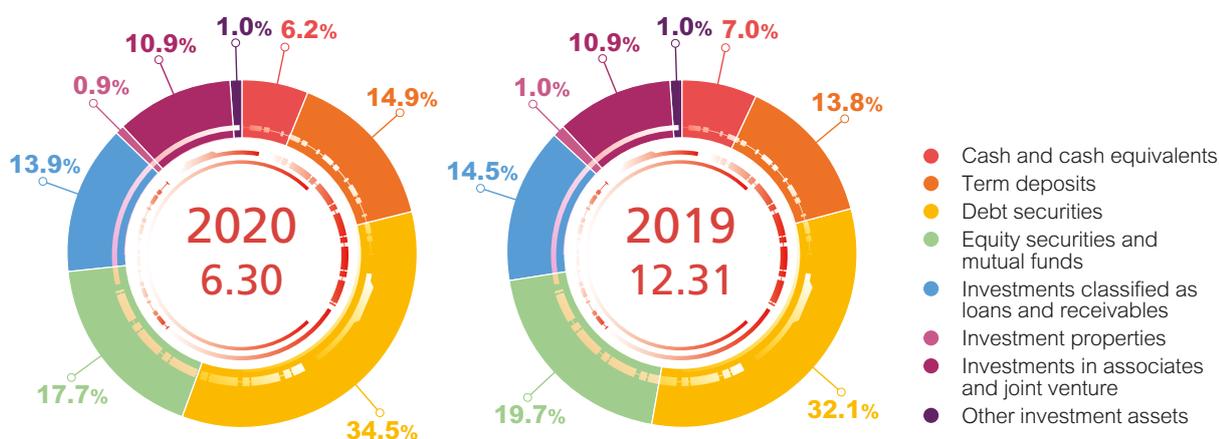
In the first half of 2020, the share of profits of associates and joint venture of the Company and its subsidiaries amounted to RMB1,739 million, representing a decrease of RMB370 million (or -17.5%) as compared to the corresponding period of last year, mainly due to a decline in operating results of the major associate of the Company as compared to the corresponding period of last year, which resulted in a decrease in the share of profits as held by the Company and its subsidiaries.

5. Composition of investment assets

	30 June 2020		Increase/ (Decrease) %	31 December 2019	
	Balance	Percentage		Balance	Percentage
	RMB million	%		RMB million	%
By category:					
Cash and cash equivalents	30,714	6.2	(5.6)	32,520	7.0
Term deposits	73,808	14.9	14.6	64,398	13.8
Debt securities	170,483	34.5	14.4	149,072	32.1
Equity securities and mutual funds	87,225	17.7	(4.9)	91,728	19.7
Investments classified as loans and receivables	68,593	13.9	1.8	67,391	14.5
Investment properties	4,425	0.9	(3.8)	4,598	1.0
Investments in associates and joint venture	53,669	10.9	6.3	50,477	10.9
Other investment assets (Note)	4,650	1.0	1.8	4,567	1.0
Total investment assets	493,567	100.0	6.2	464,751	100.0

Note: Other investment assets mainly included capital security fund.

Composition of investment assets



As at 30 June 2020, the investment assets of the Company and its subsidiaries amounted to RMB493,567 million, representing an increase of RMB28,816 million (or 6.2%) as compared to the beginning of this year. The improvement of cash flows generated from operating activities has not only reduced the risk of liquidity of the Company but also provided sufficient working capital and pushed forward the steady growth of the investment asset size. Meanwhile, the Company consistently adhered to the philosophy of making long-term and prudent investments, and, based on the situation of currency market and capital market, proactively conducted risk management and control and continuously optimised the investment assets structure, so as to improve the quality of investment portfolios and achieve a balance between returns and risks.

6. *Investments in associates and joint venture*

As of 30 June 2020, the investments in associates and the joint venture of the Company and its subsidiaries was RMB53,669 million, representing an increase of RMB3,192 million (or 6.3%) as compared to the beginning of this year. For detailed information, please refer to the note 20 of the condensed consolidated financial statements.

7. *Asset pledge*

The Company conducted repurchase transactions in the market due to the liquidity management requirements. The securities held by the Company were pledged as collateral during the period of repurchase transactions.

(III) **OVERALL RESULTS**

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

	Six months ended 30 June		Increase/ (Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Profit before tax	15,817	15,169	4.3
Income tax (expense)/credit	(2,638)	1,652	-
Profit for the period	13,179	16,821	(21.7)
Total assets (<i>Note</i>)	682,641	596,081	14.5

Note: Based on the data as at 30 June 2020 and 31 December 2019.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB15,817 million in the first half of 2020, representing an increase of RMB648 million (or 4.3%) from RMB15,169 million in the first half of 2019.

INCOME TAX (EXPENSE)/CREDIT

In the first half of 2020, the income tax expense of the Company and its subsidiaries was RMB2,638 million, as opposed to the income tax credit of RMB1,652 million in the first half of 2019. The increase of income tax expense was mainly due to application of the new policy on pre-tax deduction for commission expenses in 2019 which resulted in a decrease in the income tax expense of RMB4,230 million in 2019.

PROFIT FOR THE PERIOD

As a result of the foregoing, the profit for the period decreased by RMB3,642 million (or -21.7%) to RMB13,179 million from RMB16,821 million in the first half of 2019. Basic earnings per share attributable to owners of the Company in the first half of 2020 was RMB0.593.

III. ANALYSIS OF LIQUIDITY AND CAPITAL ADEQUACY

CASH FLOW ANALYSIS

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

	Six months ended 30 June		
	2020	2019	Increase/ (Decrease)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	15,164	8,729	6,435
Net cash flows (used in)/from investing activities	(29,618)	20,173	(49,791)
Net cash flows from/(used in) financing activities	12,605	(20,655)	33,260
Net (decrease)/increase in cash and cash equivalents	(1,806)	8,249	(10,055)

In the first half of 2020, the net cash flows from operating activities of the Company and its subsidiaries was RMB15,164 million, representing an increase of RMB6,435 million (or 73.7%) as compared to the corresponding period of last year. In the first half of 2020, while maintaining a steady growth in businesses, the Company and its subsidiaries strengthened management of credit on premiums receivable and process control as well as put more efforts on premium collection assessment. Meanwhile, the growth rate of the cash claim payment slowed down while the cash flows generated from operating activities increased significantly.

In the first half of 2020, the net cash flows used in investing activities of the Company and its subsidiaries amounted to RMB29,618 million, and the net cash flows from investing activities in the first half of 2019 was RMB20,173 million. The net cash flows used in investing activities increased by RMB27,501 million as compared to the corresponding period of last year mainly due to a timely increase of the investment amount in fixed income assets such as bonds in the first half of 2020. Meanwhile, in the first half of 2020, the investment amount in term deposits increased by RMB9,410 million, while in the first half of 2019, the maturity of term deposits brought a net cash flows from investing activities of RMB14,772 million, resulting in an increase of RMB24,182 million in the net cash flows used in investing activities.

In first half of 2020, the net cash flows of the Company and its subsidiaries from financing activities amounted to RMB12,605 million, and the net cash flows of the Company and its subsidiaries used in financing activities in the first half of 2019 was RMB20,655 million. In the first half of 2020, the Company and its subsidiaries received an amount of RMB8 billion in cash by issuing bonds; and a net amount of RMB5,139 million from the securities sold under agreements to repurchase, as compared to a net payment of RMB19,706 million in the first half of 2019.

As of 30 June 2020, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB30,714 million.

GEARING RATIO

As of 30 June 2020, the gearing ratio (*Note*) of the Company and its subsidiaries was 71.6%, representing an increase of 2.7 percentage points from 68.9% as of 31 December 2019.

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

SOURCE OF WORKING CAPITAL

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

The Company issued capital supplementary bonds of RMB15 billion in November 2016 and capital supplementary bonds of RMB8 billion in March 2020, each with a term of 10 years.

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries primarily includes expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. In the first half of 2020, the capital expenditure of the Company and its subsidiaries was RMB2,901 million.

SOLVENCY MARGIN

	30 June 2020	31 December 2019	Increase/(Decrease)
	<i>RMB million</i>	<i>RMB million</i>	%
Actual capital	191,984	181,721	5.6
Core capital	164,261	162,136	1.3
Minimum capital	62,758	64,414	(2.6)
Comprehensive solvency margin ratio (%)	306	282	Increase by 24 pp
Core solvency margin ratio (%)	262	252	Increase by 10 pp

IV. RISK MANAGEMENT

CREDIT RISK

Credit risk is the risk of economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payments when due. The assets of the Company and its subsidiaries which are subject to credit risk are principally concentrated on 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 individual customers who purchase certain insurance policies through insurance intermediaries. The capability to collect premiums in a timely manner remains one of the key performance indicators of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in insurance receivables.

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

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

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

INTEREST RATE SWAPS

The Company's financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties.

V. OTHER SPECIFIC ANALYSES

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

As of 30 June 2020, there were certain pending legal proceedings of the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not induce significant impact to the operation of the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this interim report, there was no material subsequent event undertaken by the Company and its subsidiaries.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2020, the Company focused on hot spots of the market and customers' demand, and developed a total of 718 new insurance provisions, among which, the Company registered 233 insurance provisions on the self-help registration platform of the Insurance Association of China and one insurance provision on the platform of Shanghai Institute of Marine Insurance, and filed 484 agriculture insurance provisions and agriculture-related provisions with the CBIRC's Insurance Provisions Electronic Filing System.

EMPLOYEES

As of 30 June 2020, the Company had 183,022 employees. In the first half of 2020, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB16,385 million, mainly including basic salaries, performance-related bonus, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening employee training, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

VI. LOOKING FORWARD

The world today is undergoing profound changes unprecedented in the past hundred years, and the pandemic accelerates the economic and social transformation and development, stepping up the evolvement of non-life insurance market along with the existing track. Meanwhile, the comprehensive reform of motor vehicle insurance is imminent, regulatory supervision is continuously reinforced, and the shift in driving forces for market development and upgrading of business models accelerated. The PRC property and casualty insurance industry speeds up the transformation towards high-quality development in all fronts, bringing unprecedented opportunities and challenges to the Company.

In face of new situations and new challenges, the Company will continuously adhere to the principle of profitability first, coordinate the regular pandemic prevention and control as well as the business operation of the Company, firmly stick to the goals set at the beginning of the year, insist on the principle of making progress while maintaining stability and stay committed to the “3411 Project” which aims at the transformation towards high-quality development. The Company will further implement “Ten Key Initiatives”, stabilise development and improve profitability, reinforce compliance to prevent risks, and commit to transformation and improvement of capabilities, so as to achieve transformation in terms of quality, efficiency and driving force, improving new capabilities with new supplies and creating new value. The Company will strive for a successful wrap-up of the “Thirteenth Five-Year Plan” and a new pattern of development in line with the “Fourteenth Five-Year Plan”.

Firstly, the Company will fully respond to the comprehensive reform of motor vehicle insurance business, improve the pricing capability, optimise channel layout, upgrade the business model of motor vehicle insurance, conduct smart operation, give priority to compliance, stabilise new insurance businesses, strengthen the renewal business, optimise transferred-in business, stabilise the fundamentals of motor vehicle insurance business, and consistently remain the leading position in the motor vehicle insurance market.

Thirdly, the Company will grasp the evolving trend of industrial operational cycle and cost structure, improve operation management capability through technology empowerment, optimise the business structure, improve underwriting quality, further reduce costs and improve profitability, optimise asset allocation, stabilise investment income, and remain a leading position in profitability.

Fifthly, the Company will uphold the bottom line of non-occurrence of systematic risks, improve risk control and compliance management capability, reinforce centralised product management, standardise underwriting authorisation management, defend the bottom line of compliance, strictly control premiums receivable, appropriately deal with business risks, and ensure the stable operation of the Company.

Secondly, the Company will leverage the demand arising from post-pandemic economic and social development, innovate products, services and models, expand service coverage, improve professional capabilities and strengthen the weak aspects of non-motor vehicle insurance operation, serve the “stability on the six fronts” and “security in the six areas”, develop individual insurance business strategically, stimulate new demand with new supply, and speed up the high-quality development of non-motor vehicle insurance business.

Fourthly, the Company will focus on capability building, optimise regional strategies, improve the business model of regional businesses and regional operation capability, and consolidate its leading position in regional markets.

Corporate Governance and Other Information

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 2020 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 DIRECTORATE

Changes in the members of the Board during the period from 1 January 2020 to the date of this interim report are as follows:

Mr. Tang Zhigang resigned as a Non-executive Director of the Company with effect from 21 January 2020 due to other work arrangement. The position of Mr. Tang as a member of the Nomination, Remuneration and Review Committee of the Company also ceased simultaneously.

On 17 February 2020, the Related Party Transaction Control Committee of the Board was established. Mr. Chu Bende was appointed as the committee Chairman of the Related Party Transaction Control Committee. Mr. Lin Hanchuan, Mr. Lo Chung Hing and Ms. Qu Xiaohui were appointed as members of the Related Party Transaction Control Committee. The terms of office of the aforesaid persons as members of the Related Party Transaction Control Committee are the same as their terms of office as Directors.

At the 15th meeting of the fifth session of the Board of the Company on 29 April 2020, the Board approved the establishment of Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board which performs the newly-added duties and responsibilities of protecting consumers' rights and interests in addition to the duties and responsibilities of the former Risk Management and Investment Decision-making Committee. The members of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee were the same as the members of the former Risk Management and Investment Decision-making Committee. Mr. Miao Jianmin was acted as the committee Chairman of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee, and Mr. Xie Yiqun and Ms. Xie Xiaoyu, are acted as the members of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee. The term of office of the aforesaid persons as members of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee commenced from 29 April 2020 and will expire upon expiry of the term of office of the fifth session of the Board.

At the Annual General Meeting of the Company on 23 June 2020, Mr. Jiang Caishi was appointed as an Executive Director for a term commencing from the date of the formal appointment of the Company and expiring at the end of the term of the fifth session of the Board. Mr. Jiang was also appointed as a member of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board and a member of the Related Party Transaction Control Committee of the Board. The terms of office of Mr. Jiang as members of the committees of the Board are the same as his term of office as a Director.

Mr. Miao Jianmin resigned as the Chairman of the Board, an Executive Director and the committee Chairman of the Strategic Planning Committee and the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board of the Company with effect from 15 July 2020 due to work arrangements.

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

Mr. Xie Yiqun (*Vice Chairman of the Board, Executive Director*)

Mr. Li Tao (*Non-executive Director*)

Mr. Jiang Caishi* (*Executive Director*)

Ms. Xie Xiaoyu* (*Executive Director*)

Mr. Lin Hanchuan (*Independent Non-executive Director*)

Mr. Lo Chung Hing (*Independent Non-executive Director*)

Mr. Ma Yusheng* (*Independent Non-executive Director*)

Mr. Chu Bende (*Independent Non-executive Director*)

Ms. Qu Xiaohui (*Independent Non-executive Director*)

* Their qualifications as Directors are subject to the approvals of the CBIRC.

CHANGES IN SUPERVISORY COMMITTEE

Changes in the members of the Supervisory Committee during the period from 1 January 2020 to the date of this interim report are as follows:

Mr. Jiang Caishi resigned as the Chairman of the Supervisory Committee and a Supervisor of the Company, with effect from 12 March 2020.

At the meeting of representatives of employees of the Company on 12 May 2020, Ms. Gao Hong was re-elected and Ms. Wang Xiaoli was newly elected as the Employee Representative Supervisors of the fifth session of the Supervisory Committee, with terms of office from 12 May 2020 to 11 May 2023.

At the Annual General Meeting of the Company on 23 June 2020, Mr. Zhang Xiaoli was appointed as a Supervisor of the fifth session of the Supervisory Committee for a term commencing from the date of the formal appointment of the Company and expiring at the end of the term of the fifth session of the Supervisory Committee. On the same day, Mr. Zhang Xiaoli was elected as the Chairman of the fifth session of the Supervisory Committee by the Supervisors of the Company, whose term of office is the same as his term of office as a Supervisor.

Mr. Charlie Yucheng SHI resigned as an Independent Supervisor with effect from 14 August 2020 due to other work arrangements.

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

Mr. Zhang Xiaoli (*Chairman of the Supervisory Committee*)
Mr. Wang Yadong* (*Shareholder Representative Supervisor*)
Mr. Lu Zhengfei (*Independent Supervisor*)
Ms. Gao Hong* (*Employee Representative Supervisor*)
Ms. Wang Xiaoli* (*Employee Representative Supervisor*)

* Their qualifications as Supervisors are subject to the approvals of the CBIRC.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

CHANGES IN THE INFORMATION ON DIRECTORS

Ms. Qu Xiaohui, an Independent Non-executive Director of the Company, acts as an independent non-executive director of Qingdao Doublestar Co., LTD*.

* This Company is listed on the Shenzhen Stock Exchange.

CHANGES IN THE INFORMATION ON SUPERVISORS

Mr. Zhang Xiaoli, the Chairman of the Supervisory Committee, also acts as the General Conference Chairman and the President of the council of the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, and an executive director of China Society of Emergency Management.

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 2020.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2020, 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 (Note 1)	Percentage of total number of shares in issue (Note 1)
PICC Group	Beneficial owner	15,343,471,470	Long position	100%	68.98%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue (Note 1)	Percentage of total number of shares in issue (Note 1)
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, person having a security interest in shares, trustee	754,797,319 (Note 2)	Long position	10.94%	3.39%
	Interest of controlled corporations	31,127,052 (Note 2)	Short position	0.45%	0.14%
	Approved lending agent	654,144,391	Lending pool	9.48%	2.94%
The Capital Group Companies, Inc.	Interest of controlled corporations	617,559,144 (Note 3)	Long position	8.95%	2.78%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue (Note 1)	Percentage of total number of shares in issue (Note 1)
Citigroup Inc.	Person having a security interest in shares, interest of controlled corporations	488,737,447 (Note 4)	Long position	7.08%	2.20%
	Interest of controlled corporations	8,597,608 (Note 4)	Short position	0.12%	0.04%
	Approved lending agent	435,434,851	Lending pool	6.31%	1.96%
T. Rowe Price Associates, Inc. and its Affiliates	Beneficial owner	414,198,120	Long position	6.00%	1.86%
BlackRock, Inc.	Interest of controlled corporations	407,619,897 (Note 5)	Long position	5.91%	1.83%
	Interest of controlled corporations	967,000 (Note 5)	Short position	0.01%	0.004%

Notes:

1. As at 30 June 2020, the Company has issued domestic shares totaling 15,343,471,470 shares and H shares totaling 6,899,293,833 shares. The total number of its issued shares is 22,242,765,303.
2. Among which, 270,000 H shares (Long position) and 180,000 H shares (Short position) were held through derivatives, categorised as held through physically settled listed derivatives; 199,000 H shares (Short position) were held through derivatives, categorised as held through cash settled listed derivatives; 6,839,925 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 7,105,930 H shares (Long position) and 22,582,291 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.
3. Among which, 451,275 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives.
4. Among which, 112,650 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 1,176,000 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 834,511 H shares (Long position) and 5,439,511 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.
5. Among which, 68,000 H shares (Long position) and 967,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

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 2020.

PROFIT APPROPRIATION AND INTERIM DIVIDEND

The Board of Directors did not propose any interim dividend for the six months ended 30 June 2020.

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 2020.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2020.

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 2020.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF PICC PROPERTY AND CASUALTY COMPANY LIMITED

(A joint stock company 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 42 to 90, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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
21 August 2020

Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB million (Unaudited)	Six months ended 30 June 2019 RMB million (Unaudited)
GROSS WRITTEN PREMIUMS	4	246,304	236,036
Net earned premiums	4	194,484	180,188
Net claims incurred	5	(126,885)	(116,654)
Net policy acquisition costs		(37,995)	(37,594)
Other underwriting expenses		(19,092)	(16,951)
Administrative expenses		(5,173)	(4,650)
UNDERWRITING PROFIT		5,339	4,339
Investment income	6	9,123	8,728
Net realised and unrealised gains on investments	7	144	818
Investment related expenses		(207)	(162)
Exchange gains, net		149	3
Other income, net		146	325
Finance costs	8	(616)	(991)
Share of profits or losses of associates and joint venture		1,739	2,109
PROFIT BEFORE TAX	9	15,817	15,169
Income tax (expense)/credit	10	(2,638)	1,652
PROFIT FOR THE PERIOD		13,179	16,821
Attributable to			
– Owners of the Company		13,179	16,821
– Non-controlling interests		–	–
		13,179	16,821
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (in RMB Yuan)	12	0.593	0.756

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June 2020 RMB million (Unaudited)	Six months ended 30 June 2019 RMB million (Unaudited)
PROFIT FOR THE PERIOD		13,179	16,821
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		(3,143)	10,586
– Reclassification of gains to profit or loss on disposals		(1,989)	(1,313)
– Impairment losses	7	2,032	535
Income tax effect		775	(2,452)
		(2,325)	7,356
Share of other comprehensive income of associates and joint venture		86	606
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		(2,239)	7,962
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	21	134	105
Income tax effect		(34)	(26)
		100	79

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	100	79
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX	(2,139)	8,041
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	11,040	24,862
Total comprehensive income attributable to		
– Owners of the Company	11,040	24,862
– Non-controlling interests	–	–
	11,040	24,862

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
ASSETS			
Cash and cash equivalents	13	30,714	32,520
Debt securities	14	170,483	149,072
Equity securities and mutual funds	15	87,225	91,728
Insurance receivables, net	16	89,603	53,593
Reinsurance assets	17	37,492	30,321
Term deposits	18	73,808	64,398
Investments classified as loans and receivables	19	68,593	67,391
Investments in associates and joint venture	20	53,669	50,477
Investment properties	21	4,425	4,598
Property and equipment	22	20,443	18,086
Right-of-use assets	23	5,494	5,863
Deferred tax assets		12,953	5,121
Prepayments and other assets	24	27,739	22,913
TOTAL ASSETS		682,641	596,081
LIABILITIES			
Payables to reinsurers	25	29,533	19,449
Accrued insurance security fund		928	1,076
Securities sold under agreements to repurchase		21,898	16,759
Income tax payable		5,727	96
Insurance contract liabilities	26	358,485	305,140
Policyholders' deposits		1,755	1,762
Bonds payable	27	23,239	15,198
Lease liabilities		2,089	2,198
Accruals and other liabilities	28	68,248	64,449
TOTAL LIABILITIES		511,902	426,127

	<i>Note</i>	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
EQUITY			
Issued capital	29	22,242	22,242
Reserves		148,496	147,711
Equity attributable to owners of the Company		170,738	169,953
Non-controlling interests		1	1
TOTAL EQUITY		170,739	169,954
TOTAL EQUITY AND LIABILITIES		682,641	596,081

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2020

Attributable to owners of the Company	Attributable to owners of the Company											
	Issued capital RMB million	Share premium account RMB million	Asset revaluation reserve** RMB million	Available-for-sale investment revaluation reserve RMB million	Surplus reserve*** RMB million	General risk reserve RMB million	Agriculture catastrophic loss reserve RMB million	Share of other comprehensive income of associates and joint venture RMB million	Retained profits RMB million	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
Six months ended 30 June 2020 (Unaudited)	22,242	11,412	3,376	14,211	59,703	15,426	1,789	796	40,998	169,953	1	169,954
Balance at 1 January 2020	-	-	-	-	-	-	-	-	13,179	13,179	-	13,179
Profit for the period	-	-	100	(2,325)	-	-	-	86	-	(2,139)	-	(2,139)
Other comprehensive income	-	-	100	(2,325)	-	-	-	86	13,179	11,040	-	11,040
Total comprehensive income	-	-	100	(2,325)	-	-	-	86	(10,254)	(10,254)	-	(10,254)
2019 final dividend**** Others	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Balance at 30 June 2020	22,242	11,411*	3,476*	11,886*	59,703*	15,426*	1,789*	882*	43,923*	170,738	1	170,739

* The consolidated reserves of RMB148,496 million in the condensed consolidated statement of financial position as at 30 June 2020 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 2020, the shareholders of the Company at the general meeting approved a final dividend of RMB0.461 per ordinary share totaling RMB10,254 million for the year ended 31 December 2019.

Attributable to owners of the Company

	Issued capital RMB million	Share premium account RMB million	Asset revaluation reserve** RMB million	Available-for-sale investment revaluation reserve RMB million	Surplus reserve*** RMB million	General risk reserve RMB million	Agriculture catastrophic loss reserve RMB million	Share of other comprehensive (expense)/income of associates and joint venture RMB million	Retained profits RMB million	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
Six months ended 30 June 2019 (Unaudited)												
Balance at 31 December 2018	22,242	11,572	3,202	3,562	42,212	12,935	2,471	(193)	43,492	141,495	8	141,503
Impact of change in accounting policy in associates (note 20)	-	-	-	-	-	-	-	91	(1,426)	(1,335)	-	(1,335)
Balance at 1 January 2019 (restated)	22,242	11,572	3,202	3,562	42,212	12,935	2,471	(102)	42,066	140,160	8	140,168
Profit for the period	-	-	-	-	-	-	-	-	16,821	16,821	-	16,821
Other comprehensive income	-	-	79	7,356	-	-	-	606	-	8,041	-	8,041
Total comprehensive income	-	-	79	7,356	-	-	-	606	16,821	24,862	-	24,862
Appropriations to discretionary surplus reserve***	-	-	-	-	10,000	-	-	-	(10,000)	-	-	-
2018 final dividend****	-	-	-	-	-	-	-	-	(6,050)	(6,050)	-	(6,050)
Balance at 30 June 2019	22,242	11,572	3,281	10,918	52,212	12,935	2,471	504	42,837	158,972	8	158,980

* The consolidated reserves of RMB136,730 million in the condensed consolidated statement of financial position as at 30 June 2019 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 21 June 2019, the shareholders of the Company at the general meeting approved a final dividend of RMB0.272 per ordinary share totaling RMB6,050 million for the year ended 31 December 2018, and an amount of RMB10,000 million to be appropriated to discretionary surplus reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15,164	8,729
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		
Interest received	7,317	7,308
Payment for purchase of debt securities, equity securities and mutual funds	(68,847)	(31,127)
Payment for purchase of investments classified as loans and receivables	(10,154)	(9,013)
(Increase)/decrease in term deposits, net	(9,410)	14,772
Payment for capital expenditure	(2,901)	(1,761)
Payment for acquisition of associates	(2,361)	(1,587)
Payment for acquisition of a subsidiary	(255)	–
Proceeds from sale of debt securities, equity securities and mutual funds	45,750	35,531
Proceeds from maturities of investments classified as loans and receivables	8,841	4,219
Dividend income received from equity securities and mutual funds	1,001	1,192
Dividend income received from associates	640	466
Proceeds on disposal of interest in an associate	594	–
Others	167	173
Subtotal	(29,618)	20,173
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of capital supplementary bonds	8,000	–
Increase/(decrease) in securities sold under agreements to repurchase, net	5,139	(19,706)
Repayments of lease liabilities	(348)	(579)
Interest paid	(186)	(370)
Subtotal	12,605	(20,655)

	<i>Note</i>	Six months ended 30 June 2020 RMB million (Unaudited)	Six months ended 30 June 2019 RMB million (Unaudited)
FOREIGN EXCHANGE GAINS ON CASH AND CASH EQUIVALENTS		43	2
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,806)	8,249
Cash and cash equivalents at beginning of the period		32,520	33,797
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<i>13</i>	30,714	42,046
Analysis of balances of cash and cash equivalents			
Demand deposits	<i>13</i>	16,874	17,886
Securities purchased under resale agreements with original maturity of no more than three months	<i>13</i>	13,840	24,160
Cash and cash equivalents at end of the period	<i>13</i>	30,714	42,046

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 is listed on The Stock Exchange of Hong Kong Limited. 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 and listed on the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

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

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 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 (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

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

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRS issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

The application of these new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the chief operating decision maker 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 nine 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 transport of goods;
- (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 credit and surety segment provides insurance products covering credit and surety business;
- (h) the others segment mainly represents insurance products related to homeowners, special risks, marine hull and construction; and
- (i) the corporate segment includes the income and expenses from investment activities, share of results of associates and joint venture, other net income, unallocated income and expenditures of the Group.

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

3. OPERATING SEGMENT INFORMATION (continued)

The segment income statements for the six months ended 30 June 2020 and 2019 are as follows:

Six months ended 30 June 2020 (Unaudited)	Insurance										
	Commercial		Cargo	Accidental injury and			Credit and		Others	Corporate	Total
	Motor vehicle	property		health	Liability	Agriculture	surety				
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
Gross written premiums	131,019	9,411	2,020	15,934	49,691	25,695	4,318	8,216	-	246,304	
Net earned premiums	127,261	4,593	1,346	9,784	29,956	10,239	7,643	3,662	-	194,484	
Net claims incurred	(73,347)	(2,158)	(516)	(5,981)	(26,683)	(7,422)	(9,173)	(1,605)	-	(126,885)	
Net policy acquisition costs	(29,058)	(1,189)	(423)	(2,307)	(2,625)	(1,021)	(704)	(668)	-	(37,995)	
Other underwriting expenses	(15,444)	(263)	(77)	(811)	(653)	(1,111)	(426)	(307)	-	(19,092)	
Administrative expenses	(2,781)	(375)	(104)	(356)	(460)	(482)	(288)	(327)	-	(5,173)	
Underwriting profit/(loss)	6,631	608	226	329	(465)	203	(2,948)	755	-	5,339	
Investment income	-	-	-	-	-	-	-	-	9,123	9,123	
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	144	144	
Investment related expenses	-	-	-	-	-	-	-	-	(207)	(207)	
Exchange gains, net	-	-	-	-	-	-	-	-	149	149	
Other income, net	-	-	-	-	-	-	-	-	146	146	
Finance costs	-	-	-	-	-	-	-	-	(616)	(616)	
Share of profits or losses of associates and joint venture	-	-	-	-	-	-	-	-	1,739	1,739	
Profit/(loss) before tax	6,631	608	226	329	(465)	203	(2,948)	755	10,478	15,817	
Income tax expense	-	-	-	-	-	-	-	-	(2,638)	(2,638)	
Profit/(loss) for the period - segment results	6,631	608	226	329	(465)	203	(2,948)	755	7,840	13,179	

3. OPERATING SEGMENT INFORMATION (continued)

The segment income statements for the six months ended 30 June 2020 and 2019 are as follows: (continued)

Six months ended 30 June 2019 (Unaudited)	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Gross written premiums	127,487	9,388	2,140	15,645	40,937	22,031	10,437	7,971	-	236,036
Net earned premiums	121,179	4,586	1,415	9,653	24,114	9,629	5,773	3,839	-	180,188
Net claims incurred	(74,674)	(2,072)	(597)	(5,347)	(21,214)	(7,308)	(3,545)	(1,897)	-	(116,654)
Net policy acquisition costs	(28,434)	(1,289)	(362)	(2,832)	(2,202)	(321)	(1,508)	(646)	-	(37,594)
Other underwriting expenses	(13,061)	(257)	(101)	(754)	(772)	(1,058)	(300)	(648)	-	(16,951)
Administrative expenses	(2,753)	(208)	(81)	(299)	(293)	(449)	(306)	(261)	-	(4,650)
Underwriting profit/(loss)	2,257	760	274	421	(367)	493	114	387	-	4,339
Investment income	-	-	-	-	-	-	-	-	8,728	8,728
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	818	818
Investment related expenses	-	-	-	-	-	-	-	-	(162)	(162)
Exchange gains, net	-	-	-	-	-	-	-	-	3	3
Other income, net	-	-	-	-	-	-	-	-	325	325
Finance costs	-	-	-	-	-	-	-	-	(991)	(991)
Share of profits or losses of associates and joint venture	-	-	-	-	-	-	-	-	2,109	2,109
Profit/(loss) before tax	2,257	760	274	421	(367)	493	114	387	10,830	15,169
Income tax credit	-	-	-	-	-	-	-	-	1,652	1,652
Profit/(loss) for the period - segment results	2,257	760	274	421	(367)	493	114	387	12,482	16,821

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2020 and other segment information for the six months ended 30 June 2020 are as follows:

30 June 2020 (Unaudited)	Insurance										
	Motor	Commercial	Cargo	Accidental			Credit and		Others	Corporate	Total
	vehicle	property		injury and	Liability	health	Agriculture	surety			
<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	
Segment assets	8,843	11,916	1,785	14,770	27,695	28,561	15,217	21,779	552,075	682,641	
Segment liabilities	220,127	22,209	3,755	34,219	52,589	33,981	21,557	27,140	96,325	511,902	
Six months ended 30 June 2020 (Unaudited)											
Other segment information:											
Capital expenditures	1,543	111	24	188	585	303	51	96	-	2,901	
Depreciation and amortisation	907	65	14	110	344	178	30	57	-	1,705	
(Reversal of)/provision for impairment losses on insurance receivables, prepayments and other assets	(9)	207	34	61	61	37	77	136	-	604	
Interest income	-	-	-	-	-	-	-	-	7,034	7,034	

3. OPERATING SEGMENT INFORMATION (continued)

The segment assets and liabilities of the Group as at 31 December 2019 and other segment information for the six months ended 30 June 2019 are as follows:

31 December 2019 (Audited)	Insurance									
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Credit and surety RMB million	Others RMB million	Corporate RMB million	Total RMB million
Segment assets	8,371	9,826	1,424	10,735	10,712	12,161	16,023	17,978	508,851	596,081
Segment liabilities	212,576	19,204	3,495	29,034	29,213	16,781	23,983	24,682	67,159	426,127
Six months ended 30 June 2019 (Unaudited)										
Other segment information:										
Capital expenditures	952	70	16	117	305	164	78	59	-	1,761
Depreciation and amortisation	848	62	14	104	272	146	69	53	-	1,568
Provision for impairment losses on insurance receivables, prepayments and other assets	120	49	14	36	22	35	175	50	-	501
Interest income	-	-	-	-	-	-	-	-	6,969	6,969

4 GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Gross written premiums		
Direct written premiums	245,639	235,335
Reinsurance premiums assumed	665	701
	246,304	236,036
Net earned premiums		
Gross written premiums	246,304	236,036
Reinsurance premiums ceded	(24,310)	(20,695)
Net written premiums	221,994	215,341
Gross change in unearned premium reserves	(33,209)	(39,042)
Reinsurer's share of change in unearned premium reserves	5,699	3,889
Net change in unearned premium reserves	(27,510)	(35,153)
Net earned premiums	194,484	180,188

5. NET CLAIMS INCURRED

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Gross claims paid	116,925	115,804
Paid losses recoverable from reinsurers	(8,704)	(8,135)
Net claims paid	108,221	107,669
Gross change in loss and loss adjustment expense reserves	20,136	8,954
Reinsurer's share of change in loss and loss adjustment expense reserves	(1,472)	31
Net change in loss and loss adjustment expense reserves	18,664	8,985
Net claims incurred	126,885	116,654

6. INVESTMENT INCOME

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Operating lease income from investment properties	103	123
Interest income from:		
Current and term deposits	1,662	2,005
Debt securities		
– Held-to-maturity	1,159	1,082
– Available-for-sale	1,996	2,213
– At fair value through profit or loss	272	83
Investments classified as loans and receivables	1,945	1,586
Subtotal	7,034	6,969
Dividend income from equity securities and mutual funds:		
– Available-for-sale	1,954	1,553
– At fair value through profit or loss	32	83
Subtotal	1,986	1,636
Total	9,123	8,728

7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Realised gains from:		
Debt securities		
– Available-for-sale	107	73
– At fair value through profit or loss	44	9
Equity securities and mutual funds		
– Available-for-sale	1,882	1,240
– At fair value through profit or loss	46	12
Disposal of an associate	239	–
Subtotal	2,318	1,334
Unrealised (losses)/gains from:		
Debt securities classified as fair value through profit or loss	(67)	(1)
Equity securities and mutual funds classified as fair value through profit or loss	42	57
Subtotal	(25)	56
Impairment losses on		
Equity securities and mutual funds classified as available-for-sale (note 15)	(2,032)	(535)
Investments classified as loans and receivables (note 19)	(111)	–
Subtotal	(2,143)	(535)
Fair value losses on investment properties (note 21)	(6)	(37)
Total	144	818

8. FINANCE COSTS

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Interest on bonds payable	407	575
Interest on securities sold under agreements to repurchase	162	344
Interest on lease liabilities	39	66
Others	8	6
Total	616	991

9. PROFIT BEFORE TAX

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

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Employee expenses	21,647	20,896
Depreciation of property and equipment	908	924
Depreciation of right-of-use assets	585	480
Amortisation of intangible assets	212	164
Impairment losses on insurance receivables (note 16)	606	517
Reversal of impairment losses on prepayments and other assets	(2)	(16)

10. INCOME TAX EXPENSE/(CREDIT)

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2019: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Current tax	9,726	6,290
Adjustment relating to prior year	3	(4,230)
Deferred tax	(7,091)	(3,712)
Total	2,638	(1,652)

In May 2019, Ministry of Finance and State Taxation Administration issued the “Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises” (Announcement of the Ministry of Finance and State Taxation Administration [2019] No.72, the “New Policy”). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its direct written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,230 million for the year ended 31 December 2018 arising from the New Policy in the six months ended 30 June 2019, and therefore resulting in a tax credit for the six months ended 30 June 2019.

11. DIVIDENDS

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Dividends recognised as distribution during the period:		
Year 2018 Final- RMB0.272 per ordinary share	-	6,050
Year 2019 Final- RMB0.461 per ordinary share	10,254	-

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2020 (six months ended 30 June 2019: none).

12. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Earnings:		
Profit attributable to owners of the Company (RMB million)	13,179	16,821
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (note 29)	22,242	22,242
Basic earnings per share (in RMB Yuan)	0.593	0.756

Basic earnings per share was calculated as the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue.

Diluted earnings per share amounts for the six months ended 30 June 2020 and 2019 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Demand deposits	16,874	13,704
Securities purchased under resale agreements with original maturity of no more than three months	13,840	18,816
Total	30,714	32,520
Classification of cash and cash equivalents:		
Loans and receivables	30,714	32,520

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 the fair values of those collaterals as at 30 June 2020 and 31 December 2019.

14. DEBT SECURITIES

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Classification of debt securities:		
At fair value through profit or loss	19,519	13,794
Available-for-sale, at fair value	100,898	90,191
Held-to-maturity, at amortised cost	50,066	45,087
Total	170,483	149,072

15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Investments, at fair value:		
Listed shares	31,019	32,687
Unlisted shares	2,654	1,755
Mutual funds	22,581	26,150
Preferred shares	7,889	7,886
Equity schemes	9,229	10,670
Perpetual bonds	3,763	3,350
Perpetual trust plans and perpetual debt plans	10,090	9,230
Total	87,225	91,728
Classification of equity securities and mutual funds:		
At fair value through profit or loss	3,977	4,796
Available-for-sale, at fair value	83,248	86,932
Total	87,225	91,728

For the six months ended 30 June 2020, an impairment loss of RMB2,032 million was provided by the Group on equity securities and mutual funds (six months ended 30 June 2019: RMB535 million).

16. INSURANCE RECEIVABLES, NET

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Premiums receivable and agents' balances	76,240	39,731
Receivables from reinsurers	17,292	17,194
Total	93,532	56,925
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,693)	(3,167)
– Receivables from reinsurers	(236)	(165)
Net value	89,603	53,593

(a) The movements of provision for impairment of insurance receivables are as follows:

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
At the beginning of the period	3,332	3,152
Recognition of impairment losses (note 9)	606	517
Amount written off as uncollectible	(9)	(4)
At the end of the period	3,929	3,665

16. INSURANCE RECEIVABLES, NET (continued)

- (b) Analysis of insurance receivables as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Not yet due	65,546	40,138
Within 1 month	6,839	5,000
1 to 3 months	5,978	2,694
3 to 6 months	6,449	2,486
6 to 12 months	3,349	2,313
1 to 2 years	1,353	816
Over 2 years	89	146
Total	89,603	53,593

Included in the Group's insurance receivables are amounts due from a fellow subsidiary of RMB266 million (31 December 2019: RMB150 million) and an associate of RMB1,163 million (31 December 2019: RMB1,690 million), respectively. Please refer to note 33(b) for details.

The Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premiums receivable relates to a large number of diversified customers and therefore there is no significant concentration of credit risk.

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. REINSURANCE ASSETS

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Reinsurers' share of:		
Unearned premium reserves (note 26)	17,281	11,582
Loss and loss adjustment expense reserves (note 26)	20,211	18,739
Total	37,492	30,321

18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
More than 3 months to 1 year	826	1,192
More than 1 year to 2 years	483	121
More than 2 years to 3 years	11,100	2,268
More than 3 years	61,399	60,817
Total	73,808	64,398

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Long-term debt investment schemes	37,178	35,616
Trust plans	22,579	21,320
Asset management products	6,126	6,785
Others	2,821	3,670
Total	68,704	67,391
Less: Impairment losses (note 7)	(111)	–
Net carrying value	68,593	67,391

As at 31 December 2019, the Group considered there was no impairment indicators identified, and therefore no provision was accrued on investments classified as loans and receivables.

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Associates		
Cost of investments in associates (i)	40,921	38,960
Share of post-acquisition profit and other comprehensive income, net of dividend received (ii)	12,650	11,419
Subtotal	53,571	50,379
Joint venture		
Cost of investment in joint venture	98	98
Total	53,669	50,477

- (i) In the current period, PICC Life Insurance Company Limited (“PICC Life”), PICC Health Insurance Company Limited (“PICC Health”) and the Group jointly established a real estate company in Shenzhen. The Group invested RMB2,361 million, holding 50% equity interest. The Group assesses it has no control but has significant influence on the real estate company. It is therefore accounted for as an associate.

In the current period, the Group disposed of an associate with a carrying amount of RMB355 million, including cost of RMB400 million and share of post-acquisition loss and other comprehensive income of RMB45 million, and realised a net disposal gain of RMB239 million.

- (ii) Hua Xia Bank Co., Ltd. (the Group’s associate, the “Hua Xia Bank”) and Industrial Bank Co., Ltd. (an associate of the Group’s another associate, the “IBC”) applied PRC new financial instrument accounting standards (which is equivalent to HKFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. This adoption has decreased the carrying amount of investments in associates and joint venture by RMB1,335 million on 1 January 2019.

As permitted by Amendments to HKFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Hua Xia Bank.

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
At 1 January	4,598	4,881
Transfers from property and equipment and right-of-use assets	43	31
Fair value gain on revaluation of investment properties transferred from property and equipment and right-of-use assets	134	105
Decrease in fair value of investment properties during the period (note 7)	(6)	(37)
Transfers to property and equipment	(344)	(257)
At 30 June	4,425	4,723

The fair values were determined based on the valuation carried out by an external independent valuer, Cushman & Wakefield Shenzhen Valuation 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.

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.

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB315 million (six months ended 30 June 2019: RMB221 million) and incurred construction costs of RMB2,661 million (six months ended 30 June 2019: RMB285 million) for construction in progress.

Assets with a net book value of RMB30 million were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB19 million), resulting in a net disposal gain of RMB28 million (six months ended 30 June 2019: gain of RMB5 million).

During the six months ended 30 June 2020, construction in progress with an aggregate amount of RMB706 million (six months ended 30 June 2019: RMB49 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2020, property and equipment with a carrying amount of RMB25 million (six months ended 30 June 2019: RMB7 million) was transferred to investment properties, and investment properties with a carrying amount of RMB344 million (six months ended 30 June 2019: RMB257 million) was transferred to property and equipment.

23. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into certain new lease agreements for the use of office building and vehicles for 1-10 years. The Group is required to make fixed payments periodically from the respective lease commencement dates. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB452 million of right-of-use assets and RMB409 million lease liabilities related to these new or modified leases.

At 30 June 2020, right-of-use assets included prepaid land premium of RMB3,430 million.

24. PREPAYMENTS AND OTHER ASSETS

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Interest receivables	5,351	4,900
Capital security fund (i)	4,449	4,449
Deductible input value-added tax	4,125	3,992
Co-insurance receivables	2,227	2,060
Deposits	1,466	1,187
Prepayments for assets and expenses	1,099	297
Dividends due from an associate of PICC Group (note 33(b))	971	–
Prepaid insurance underwriting commission	871	1,161
Amounts due from PICC Group (note 33(b))	119	50
Amounts due from fellow subsidiaries (note 33(b))	24	25
Amounts due from associates (note 33(b))	13	35
Others	7,348	5,083
Total	28,063	23,239
Less: Impairment provision on		
– Co-insurance receivables	(167)	(169)
– Others	(157)	(157)
Net value	27,739	22,913

- (i) In accordance with the PRC Insurance Law, the Company is required to maintain a deposit equivalent to 20% of its registered capital with banks designated by the China Banking and Insurance Regulatory Commission (the “CBIRC”) as a security fund. The use of the security fund is subject to the approval of the CBIRC.

25. PAYABLES TO REINSURERS

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 RMB466 million (31 December 2019: RMB203 million) and an associate of RMB2,508 million (31 December 2019: RMB2,514 million), respectively. Please refer to note 33(b) for details.

26. INSURANCE CONTRACT LIABILITIES

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

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	191,722	(17,281)	174,441	158,513	(11,582)	146,931
Loss and loss adjustment expense reserves	166,763	(20,211)	146,552	146,627	(18,739)	127,888
Total	358,485	(37,492)	320,993	305,140	(30,321)	274,819

27. BONDS PAYABLE

Bonds payable comprised two capital supplementary bonds.

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Capital supplementary bonds:		
Carrying amount repayable in More than five years	23,239	15,198

On 23 November 2016, the Company issued capital supplementary bonds of RMB15,000 million.

On 23 March 2020, the Company issued another capital supplementary bonds of RMB8,000 million.

Terms of the capital supplementary bonds issued in 2016 are ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.65% per annum in the first five years and 4.65% per annum in the following five years.

Terms of the capital supplementary bonds issued in 2020 are also ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.59% per annum in the first five years and 4.59% per annum in the following five years.

28. ACCRUALS AND OTHER LIABILITIES

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Premiums received in advance (i)	15,126	21,268
Salaries and staff welfare payables	11,009	10,155
Dividend payable	10,254	–
Other taxes payable	8,027	7,755
Commission payable	7,729	7,125
Premium payable (ii)	4,272	5,638
Claims payable	2,488	3,203
Insurance business deposits	1,581	1,342
Interest payable	424	73
Accrued capital expenditure	373	282
Amounts due to fellow subsidiaries (note 33(b))	132	123
Payables to interest holders of consolidated structured entities	121	153
Others	6,712	7,332
Total	68,248	64,449

- (i) Premiums received in advance represent amounts collected from policies not yet effective as at 30 June 2020 and 31 December 2019, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.
- (ii) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.

29. ISSUED CAPITAL

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Issued and fully paid:		
Domestic shares of RMB1.00 each	15,343	15,343
H shares of RMB1.00 each	6,899	6,899
Total	22,242	22,242

30. RISK MANAGEMENT

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2019.

There have been no significant changes in the Group's risk management processes since 31 December 2019 or in any risk management policies.

31. 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, 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 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Financial assets				
At fair value through profit or loss				
– Equity securities and mutual funds	3,977	4,796	3,977	4,796
– Debt securities	19,519	13,794	19,519	13,794
Available-for-sale				
– Equity securities and mutual funds	83,248	86,932	83,248	86,932
– Debt securities	100,898	90,191	100,898	90,191
Held-to-maturity investments				
– Debt securities	50,066	45,087	53,011	47,851
Loans and receivables				
– Cash and cash equivalents	30,714	32,520	30,714	32,520
– Term deposits	73,808	64,398	73,808	64,398
– Investments classified as loans and receivables	68,593	67,391	73,953	72,094
– Insurance receivables, net	89,603	53,593	89,603	53,593
– Other financial assets	19,222	15,161	19,222	15,161
Total financial assets	539,648	473,863	547,953	481,330
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	29,533	19,449	29,533	19,449
– Accrued insurance security fund	928	1,076	928	1,076
– Securities sold under agreements to repurchase	21,898	16,759	21,898	16,759
– Policyholders' deposits	1,755	1,762	1,755	1,762
– Bonds payable	23,239	15,198	23,167	15,108
– Other financial liabilities	34,071	24,918	34,071	24,918
Total financial liabilities	111,424	79,162	111,352	79,072

31. 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 the 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.

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

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

Items	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)		
At fair value through profit or loss debt securities	2,130	1,702	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	17,389	12,092	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 debt securities	9,158	7,096	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	91,740	83,095	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.

31. 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 that are measured at fair value on a recurring basis (continued)

Items	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June	31 December		
	2020	2019		
	RMB million (Unaudited)	RMB million (Audited)		
At fair value through profit or loss equity securities and mutual funds	3,977	4,796	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	48,827	54,536	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	22,941	19,971	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend yield, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	7,270	6,560	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	2,449	4,112	Level 3	Relative value that are assessed based on average price-to-earnings/price to sales ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	1,761	1,753	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

31. 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 that are measured at fair value on a recurring basis (continued)

As at 30 June 2020 (Unaudited)	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	3,977	–	–	3,977
– Debt securities	2,130	17,389	–	19,519
Available-for-sale financial assets				
– Equity securities and mutual funds	48,827	22,941	11,480	83,248
– Debt securities	9,158	91,740	–	100,898
Total	64,092	132,070	11,480	207,642
As at 31 December 2019 (Audited)	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	4,796	–	–	4,796
– Debt securities	1,702	12,092	–	13,794
Available-for-sale financial assets				
– Equity securities and mutual funds	54,536	19,971	12,425	86,932
– Debt securities	7,096	83,095	–	90,191
Total	68,130	115,158	12,425	195,713

For the six months ended 30 June 2020, available-for-sale debt securities with carrying amount of RMB3,835 million (six months ended 30 June 2019: RMB3,205 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 RMB4,863 million (six months ended 30 June 2019: RMB2,523 million) were transferred from Level 2 to Level 1 because quoted prices in active markets became available.

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 reasonably possible changes in unobservable inputs used in the sensitivity analysis.

31. 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 not measured at fair value

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate their fair values as at 30 June 2020 and 31 December 2019 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

30 June 2020 (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	1,100	51,911	–	53,011
– Investments classified as loans and receivables	–	73,953	–	73,953
Financial liabilities				
– Bonds payable	–	23,167	–	23,167
31 December 2019 (Audited)	Level 1 RMB million	Fair value hierarchy Level 2 RMB million	Level 3 RMB million	Total RMB million
Financial assets				
– Held-to-maturity investments	1,046	46,805	–	47,851
– Investments classified as loans and receivables	–	72,094	–	72,094
Financial liabilities				
– Bonds payable	–	15,108	–	15,108

The fair values of the financial assets and financial liabilities classified under Level 2 were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties obtained from China Bond Yield Curves published by China Central Depository & Clearing Co., Ltd..

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

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

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
At 1 January	12,425	10,772
Addition	707	466
Transfer out	(404)	(2,455)
Losses recognised in profit or loss	(1,996)	–
Unrealised gains recognised in other comprehensive income	748	473
At 30 June	11,480	9,256

There were no transfers into Level 3 for the six months ended 30 June 2020 and 2019.

32. CONTINGENCIES AND COMMITMENTS

(1) Contingencies

Due to the nature of the insurance business, the Group is subject to 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 the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. During the first half of 2020, the Group was involved in similar legal proceedings on its commercial property insurance business. The legal claim amount for specific case may be significant and the case is being investigated by relevant authorities. While the outcomes 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 as at 30 June 2020 and 31 December 2019 or operating results of the Group for the six months ended 30 June 2020 and 2019.

(2) Capital commitments and leases

(a) Capital commitments

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Property and equipment commitments: Contracted, but not provided for:	1,093	1,486

(b) Leases

As lessor

The Group leases its investment properties (note 21) under lease arrangements, with lease terms ranging from one to eleven years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2020 and 31 December 2019, the undiscounted lease payments to be received under leases are as follows:

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Within one year, inclusive 1 year	107	132
One to two years, inclusive 2 years	71	84
Two to three years, inclusive 3 years	52	57
Three to four years, inclusive 4 years	38	39
Four to five years, inclusive 5 years	24	20
After five years	35	42
Total	327	374

33. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2020 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2019 <i>RMB million</i> (Unaudited)
Transactions with PICC Group:		
2019 final dividend distribution	7,073	–
2018 final dividend distribution	–	4,173
Addition to right-of-use assets	158	88
Addition to lease liabilities	158	88
Interest on lease liabilities	2	2
WAN service fees	11	11
Transactions with fellow subsidiaries:		
Management fee	159	103
Service fee	28	98
Subscription amount of financial products set up and managed by fellow subsidiaries	3,861	5,330
Premiums ceded	370	320
Reinsurance commission income	116	97
Paid losses recoverable from reinsurers	116	119
Brokerage commission expense	29	210
Rental income	5	6
Addition to right-of-use assets	3	4
Addition to lease liabilities	3	4
Payment of lease liabilities	50	58
Interest on lease liabilities	6	8
Transactions with associates of the Company:		
Premiums ceded	2,117	2,781
Reinsurance commission income	713	866
Paid losses recoverable from reinsurers	1,051	979
Premiums paid	7	10
Agency services commission received	63	68
Agency services commission paid	296	238
Interest income	1	166
Dividend received	638	–
Rental income	10	11
Addition to right-of-use assets	–	6
Addition to lease liabilities	–	6
Payment of lease liabilities	4	10
Interest on lease liabilities	1	1

33. RELATED PARTY TRANSACTIONS (continued)

(a) Material transactions with related parties (continued)

	Six months ended 30 June 2020 RMB million (Unaudited)	Six months ended 30 June 2019 RMB million (Unaudited)
Transactions with associates of PICC Group:		
Interest income	608	466
Dividend income	971	885
Interest expense	–	15
Transactions with joint venture of the Company:		
Purchase of spare parts	201	163
Service fee	12	–

(b) Outstanding balances with related parties

	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Cash and cash equivalents:		
An associate	369	65
An associate of PICC Group	1,709	1,310
Term deposits:		
An associate	10	6,010
An associate of PICC Group	19,680	18,266
Debt securities:		
An associate of PICC Group	2,952	2,699
Equity securities:		
An associate of PICC Group	23,202	25,057
Receivables from reinsurers:		
A fellow subsidiary (note 16)	266	150
An associate (note 16)	1,163	1,690
Dividend receivable:		
An associate of PICC Group (note 24)	971	–

33. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i> (Audited)
Due from related parties:		
The PICC Group (note 24)	119	50
Fellow subsidiaries (note 24)	24	25
Associates (note 24)	13	35
An associate of PICC Group	446	376
Payables to reinsurers:		
A fellow subsidiary (note 25)	466	203
An associate (note 25)	2,508	2,514
Dividend payable:		
The PICC Group	7,073	–
Due to related parties:		
Fellow subsidiaries (note 28)	132	123
An associate of PICC Group	–	18
Lease liabilities:		
The PICC Group	159	88
A fellow subsidiary	271	318
An associate	37	30

PICC Life, PICC Health and PICC Reinsurance Company Limited (“PICC Reinsurance”) are all 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 PICC Group, fellow subsidiaries, associates and an associate of PICC Group are settled according to respective arrangements between the Company and the related parties.

33. RELATED PARTY TRANSACTIONS *(continued)*

(c) 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.

(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 2020 other than the emoluments paid to them (being the key management personnel compensation).

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9

According to Amendments to HKFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from HKFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As disclosed in Note 20, the Group's material associate, Hua Xia Bank applied PRC new financial instrument accounting standards (which is equivalent to HKFRS 9) retrospectively from 1 January 2019, with the practical expedients permitted under the standard.

As permitted by Amendments to HKFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Hua Xia Bank. Except for Hua Xia Bank, the Group has applied uniform accounting policies accounting for subsidiaries, other associates and joint venture in these condensed consolidated financial statements.

The additional disclosures about the temporary exemption from HKFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under HKFRS 9 as at 30 June 2020 and 31 December 2019 and fair value changes for the six months ended 30 June 2020 and 2019:

	Fair value as at	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Held for trading financial assets (A)	23,496	18,590
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	203,018	180,537
– Financial assets with contractual terms that do not meet SPPI terms (D)	108,092	116,532
Total	334,606	315,659

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (continued)

(i) Fair value of financial assets (continued)

	Fair value changes for the six months ended	
	30 June 2020 RMB million (Unaudited)	30 June 2019 RMB million (Unaudited)
Held for trading financial assets (A)	9	36
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Financial assets other than A and B		
– Financial assets with contractual terms that meet SPPI terms (C)	1,323	497
– Financial assets with contractual terms that do not meet SPPI terms (D)	(2,660)	9,413
Total	(1,328)	9,946

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair value. Accordingly, they have not been included in the table above.

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount (Note 1)	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
AAA	159,679	142,390
AA+	1,183	4,043
AA	1,845	700
A-1	61	30
Not rated*	32,540	26,216
Total	195,308	173,379

* Included in the not rated category, there is an aggregate carrying amount of RMB31,507 million (31 December 2019: RMB20,412 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB1,033 million (31 December 2019: RMB5,804 million) without any credit rating do not have low credit risk.

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (continued)

(ii) Credit risk exposure (continued)

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount (Note 1)	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Aaa	171	207
Aa1	14	6
Aa2	16	20
Aa3	9	8
A1	15	14
A2	31	29
A3	43	46
Baa1	46	34
Baa2	35	9
Baa3	9	–
Total	389	373

	Carrying amount		Fair value	
	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)	30 June 2020 RMB million (Unaudited)	31 December 2019 RMB million (Audited)
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above) (Note 2))	4,122	10,577	4,632	10,998

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

35. THE IMPACT OF COVID-19

As a result of the strict prevention measures taken throughout the country, work and production have gradually resumed, the order of social life has been gradually restored and the economy has been back in a growing trend. Covid-19 has directly and indirectly affected the insurance industry. Premium income and claims continued to grow in the first half of the year but at a slower pace. As a leading insurance group offering a wide range of products to the market, the Group is launching online services vigorously and actively tackled the impact of relevant factors. The directors of the Company consider that the impact of Covid-19 is not significant to the Group's financial position as at 30 June 2020 and for the six months results then ended. The Group will continue monitoring and assessing the impact of Covid-19 and actively takes measures to mitigate any future impact that might be caused by Covid-19.

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
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Director(s)”	director(s) of the Company
“H1”	the first half of year
“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
“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
“pp”	percentage point(s)
“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

Corporate Information

REGISTERED NAME

Chinese name: 中國人民財產保險股份有限公司
(Abbreviation of Chinese name:
人保財險)

English name: PICC Property and Casualty
Company Limited
(Abbreviation of English name:
PICC P&C)

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

WEBSITE

www.epicc.com.cn

SECRETARY OF THE BOARD OF DIRECTORS

Zou Zhihong

COMPANY SECRETARY

Ko Mei Ying

INFORMATION INQUIRY DEPARTMENT

Office of the Board of Directors
Tel: (8610) 85176084
Fax: (8610) 85176084
E-mail: ir@picc.com.cn

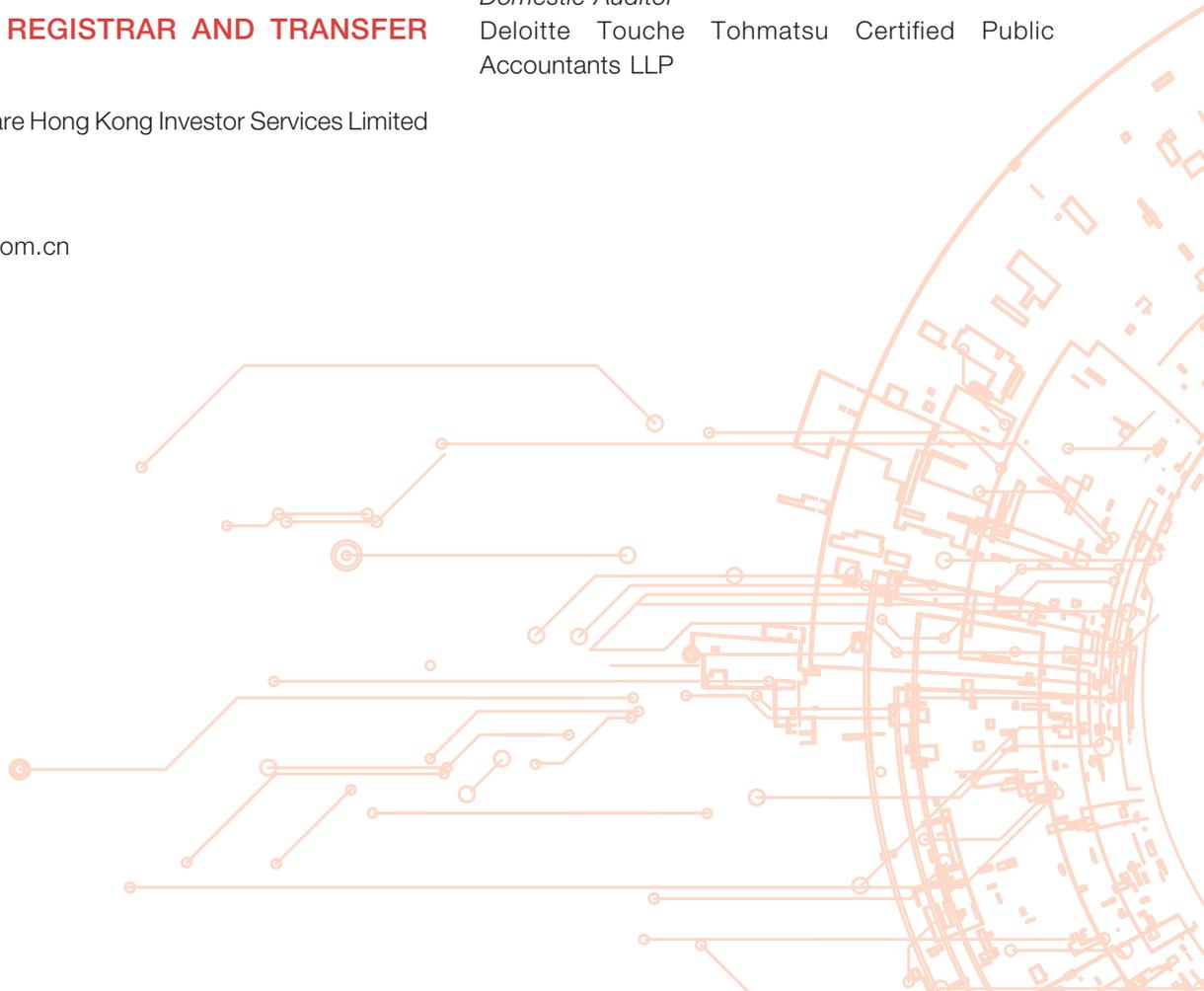
REGISTERED OFFICE

Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang
District, Beijing 100022, the PRC

AUDITORS

International Auditor
Deloitte Touche Tohmatsu

Domestic Auditor
Deloitte Touche Tohmatsu Certified Public
Accountants LLP



人民保險 服務人民

