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## **中国人民财产保险股份有限公司**

**PICC PROPERTY AND CASUALTY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2328)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors of PICC Property and Casualty Company Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement sets out the full text of the 2021 Interim Report of the Company and fulfils the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By Order of the Board  
**PICC Property and Casualty Company Limited**  
**Luo Xi**  
*Chairman*

Beijing, the PRC, 20 August 2021

*As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (non-executive director), the executive director is Mr. Jiang Caishi, Mr. Li Tao is a non-executive director, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Chu Bende and Ms. Qu Xiaohui.*

# 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.

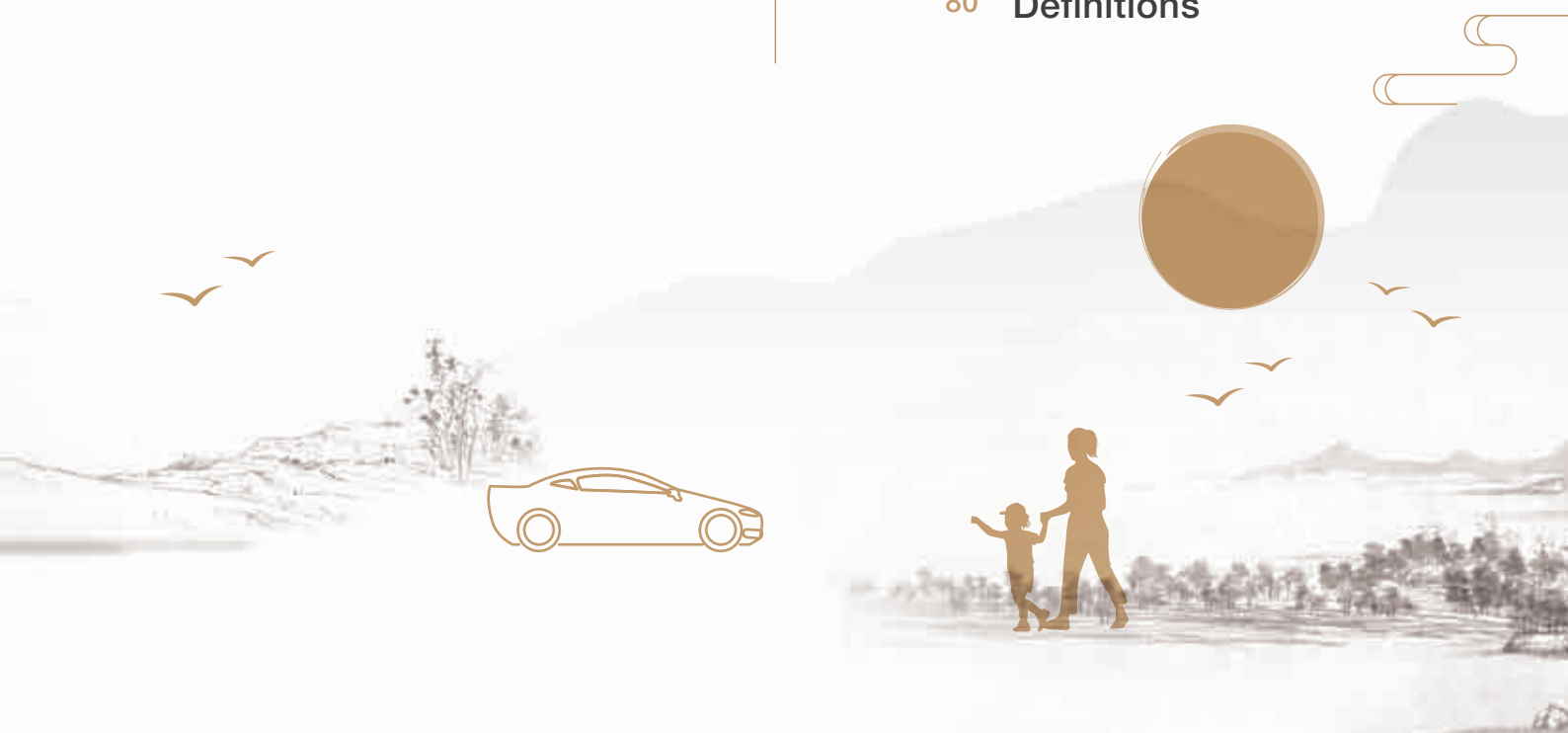
## PRINCIPAL ACTIVITIES

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



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# Financial Summary

## RESULTS

	Six months ended 30 June		Change %
	2021	2020	
	<i>RMB million</i>	<i>RMB million</i>	
Gross written premiums	<b>252,626</b>	246,304	2.6
Underwriting profit	<b>5,406</b>	5,339	1.3
Investment income	<b>9,746</b>	9,123	6.8
Net realised and unrealised gains on investments	<b>3,543</b>	144	2,360.4
Share of profits or losses of associates and joint ventures	<b>1,877</b>	1,739	7.9
Profit before income tax	<b>19,716</b>	15,817	24.7
Income tax expense	<b>(3,219)</b>	(2,638)	22.0
Net profit for the period	<b>16,497</b>	13,179	25.2

## ASSETS AND LIABILITIES

	30 June 2021	31 December 2020	Change %
	<i>RMB million</i>	<i>RMB million</i>	
Total assets	<b>714,735</b>	646,801	10.5
Total liabilities	<b>517,190</b>	456,770	13.2
Total equity	<b>197,545</b>	190,031	4.0

## Business Development Achieved Stable Growth

RMB **252,626** million  
Gross written premiums

**+2.6%**  
Change

## Underwriting Profitability Improved

RMB **5,406** million  
Underwriting profit

**97.2%**  
Combined ratio

## Total Investment Income Increased Significantly

RMB **15,166** million  
Total investment income

**5.9%**  
Total investment yield  
(annualised)

## Overall Profitability Enhanced

RMB **19,716** million  
Profit before income tax

RMB **16,497** million  
Net profit for the period

## Comprehensive Strength Enhanced Steadily

RMB **714,735** million  
Total assets

RMB **197,545** million  
Total equity

## Solvency Margin Remained Stable

**309%**  
Comprehensive  
solvency margin ratio

**269%**  
Core solvency  
margin ratio

# Discussion and Analysis of Operating Results and Financial Conditions

## I. PERFORMANCE HIGHLIGHTS

In the first half of 2021, in the face of the complex domestic and international environment and the opportunities and challenges presented by the deepening comprehensive reform of motor vehicle insurance and intensifying market competition, the Company and its subsidiaries focused on PICC Group's "Excellent Insurance Strategy", focusing on the six strategic areas of rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance. We have adopted the new insurance logic of "Underwriting + Loss Reduction + Empowerment + Claim Settlement", deepened innovation and reform, upgraded insurance supply, and made new progress in high-quality development. We always adhere to "customer-centric" approach, proactively dovetail with insurance demand, innovate insurance products, upgrade service model, expand new space for development, and promote stable business growth; in addition, we continue to optimise business structure, focus on improving quality, reducing costs and enhancing profitability, and strengthen risk control. The risk of financing credit and surety insurance business has been effectively resolved, and the overall business has shown balanced development with stable and improving operating performance.

### ADJUSTMENT AND OPTIMISATION OF BUSINESS STRUCTURE, MORE BALANCED BUSINESS DEVELOPMENT

In the first half of 2021, the Company and its subsidiaries achieved gross written premiums of RMB252,626 million, representing an increase of 2.6% as compared to the corresponding period of last year and accounting for 34.3% of the PRC property insurance market (*Note*). Among them, due to the deepening of the comprehensive reform of motor vehicle insurance, motor vehicle insurance achieved gross written premiums of RMB120,755 million, representing a decrease of 7.8% as compared to the corresponding period of last year. The Company and its subsidiaries actively aligned with the trend of comprehensive reform of motor vehicle insurance, continued to optimise the operating model of motor vehicle insurance and vigorously developed the household automobile insurance business, with its leading edge of growth rate further expanded compared to the market. The number of household automobiles underwritten accounted for 80.6% of the total motor vehicle insurance, representing an increase of 1.3 percentage points as compared to the corresponding period of last year, and the structure and quality of motor vehicle insurance business continued to improve. While consolidating the development foundation of motor vehicle insurance, the Company and its subsidiaries consolidated and expanded the advantages of policy-oriented businesses and vigorously expanded new space for development of commercial non-motor vehicle insurance. Non-motor vehicle insurance businesses achieved gross written premiums of RMB131,871 million, representing an increase of 14.4% as compared to the corresponding period of last year. The gross written premiums of the non-motor vehicle insurance businesses accounted for 52.2% of the total, representing an increase of 5.4 percentage points as compared to the corresponding period of last year. The overall business structure was more balanced.

*Note:* Calculated based on the data of the PRC insurance industry published on the website of the CBIRC. Beginning from June 2021, the aggregate data of property insurance industry published by the CBIRC was temporarily exclusive of certain institutions undergoing settlement of risks in the insurance industry.

Gross written premiums



**RMB252,626**  
million



**+2.6%**

### STABLE AND IMPROVING OPERATING PERFORMANCE AND CONTINUOUS ENHANCEMENT OF COMPREHENSIVE STRENGTH

Net profit  
for the period  
**RMB16,497**  
million



In the first half of 2021, the Company and its subsidiaries achieved an underwriting profit of RMB5,406 million, representing an increase of 1.3% as compared to the corresponding period of last year; the combined ratio was 97.2%, representing a decrease of 0.1 percentage point as compared to the corresponding period of last year, and the underwriting profitability remained solid. The investment segment seized market operation opportunities in a timely manner and achieved a total investment income of RMB15,166 million, representing an increase of 37.8% as compared to the corresponding period of last year; the annualised total investment yield was 5.9%, representing an increase of 1.3 percentage points as compared to

the corresponding period of last year. Profit before income tax was RMB19,716 million, representing an increase of 24.7% as compared to the corresponding period of last year; net profit for the period was RMB16,497 million, representing an increase of 25.2% as compared to the corresponding period of last year; annualised return on equity was 17.0%, representing an increase of 1.5 percentage points as compared to the corresponding period of last year.

As of 30 June 2021, the total assets of the Company and its subsidiaries were RMB714,735 million, representing an increase of 10.5% as compared to the beginning of this year; the net assets were RMB197,545 million, representing an increase of 4.0% as compared to the beginning of this year; the core solvency margin ratio was 269%, representing an increase of 19 percentage points as compared to the beginning of this year; and the comprehensive solvency margin ratio was 309%, representing an increase of 20 percentage points as compared to the beginning of this year. Due to the Company's outstanding industry position and continuous improvement in overall strengths, Moody's Investors Service continued to maintain the Company's insurance financial strength rating of A1, the highest rating on the Chinese Mainland.

### SERVING THE OVERALL ECONOMIC AND SOCIAL DEVELOPMENT AND DEMONSTRATING CORPORATE RESPONSIBILITY

The Company and its subsidiaries insisted on serving the overall situation and the society, focusing on customers' demands, and giving full play to the function of insurance. In the first half of 2021, the Company and its subsidiaries undertook an aggregated insurance liability of RMB865 trillion, representing an increase of 58.1% as compared to the corresponding period of last year. The Company solely insured China's initial Mars probe, covered the launch of Fengyun-4 No.2 satellite. To serve the rural revitalisation, the Company and its subsidiaries launched the exclusive protection scheme of "Rural Revitalisation Insurance", providing a total of RMB279.1 billion in risk protection. To serve the smart transportation, the Company and its subsidiaries upgraded the "Traffic Police and Insurer Joint Work" to cover 332 cities in 31 provinces (autonomous regions, municipalities), providing nearly 5 million times of services accumulatively. To serve the health and elderly care, the Company and its subsidiaries vigorously developed individual commercial health insurance business, with the "Huimin Insurance" (Insurance Benefiting the People) business launched in nearly 100 cities in the first half of 2021, serving a total of over 20 million people. To serve the green environment, the Company and its subsidiaries vigorously developed the environmental pollution liability insurance, innovated insurance for wind power, photovoltaic, energy-saving buildings, carbon trading and other green industries. To serve the scientific and technological innovation, the Company and its subsidiaries improved the technology-related insurance product system, vigorously developed insurance businesses for the first set of major technical equipment, the first batch of new materials and the first version of software, and actively expanded intellectual property insurance, providing risk protection amounting to RMB266.9 billion for 1,194 enterprises on an accumulative basis. To serve the social governance, the Company and its subsidiaries actively promoted the "Urban Insurance" project, and customised comprehensive service solutions such as "Town Insurance" and "Community Safety Insurance", providing a holistic solution for social governance.

## II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

### (I) INSURANCE BUSINESS

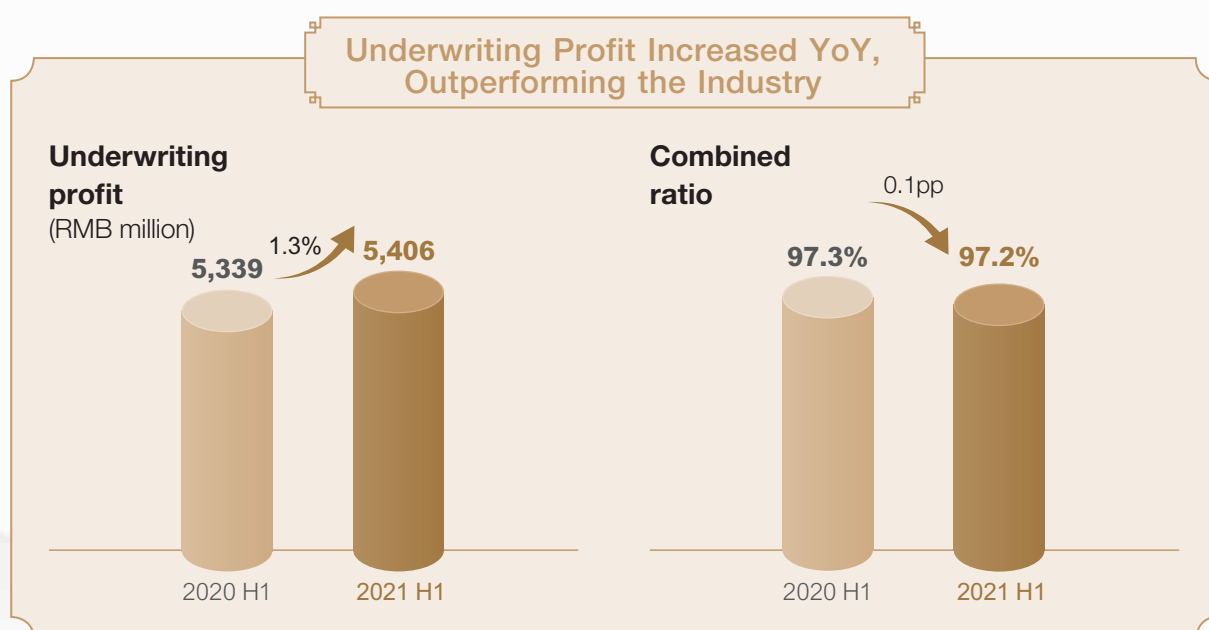
#### 1. Business Overview

##### Underwriting results

In the first half of 2021, the Company and its subsidiaries achieved gross written premiums of RMB252,626 million, representing an increase of RMB6,322 million (or 2.6%) as compared to the corresponding period of last year. The business growth was largely driven by the development of the accidental injury and health insurance, agriculture insurance and liability insurance businesses. As a result of the comprehensive reform of motor vehicle insurance as well as accidents and disasters, the loss ratio was 71.7%, representing an increase of 6.4 percentage points as compared to the corresponding period of last year; the expense ratio was 25.5%, representing a decrease of 6.5 percentage points as compared to the corresponding period of last year; and the combined ratio was 97.2%, representing a decrease of 0.1 percentage point as compared to the corresponding period of last year.

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		Change %
	2021 RMB million	2020 RMB million	
Gross written premiums	252,626	246,304	2.6
Net earned premiums	189,774	194,484	-2.4
Net claims incurred	(136,031)	(126,885)	7.2
Total expenses	(48,337)	(62,260)	-22.4
Underwriting profit	5,406	5,339	1.3
Loss ratio (%)	(71.7)	(65.3)	Increase by 6.4 pp
Expense ratio (%)	(25.5)	(32.0)	Decrease by 6.5 pp
Combined ratio (%)	(97.2)	(97.3)	Decrease by 0.1 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					
	2021			2020		
	Amount <i>RMB million</i>	Percentage %	Change %	Amount <i>RMB million</i>	Percentage %	
Insurance agents	136,180	54.1	-6.0	144,858	59.0	
Among which:						
Individual insurance agents	73,683	29.3	-4.1	76,848	31.3	
Ancillary insurance agents	18,702	7.4	-9.1	20,569	8.4	
Professional insurance agents	43,795	17.4	-7.7	47,441	19.3	
Direct sales	96,046	38.1	16.9	82,175	33.4	
Insurance brokers	19,599	7.8	5.3	18,606	7.6	
Total	251,825	100.0	2.5	245,639	100.0	

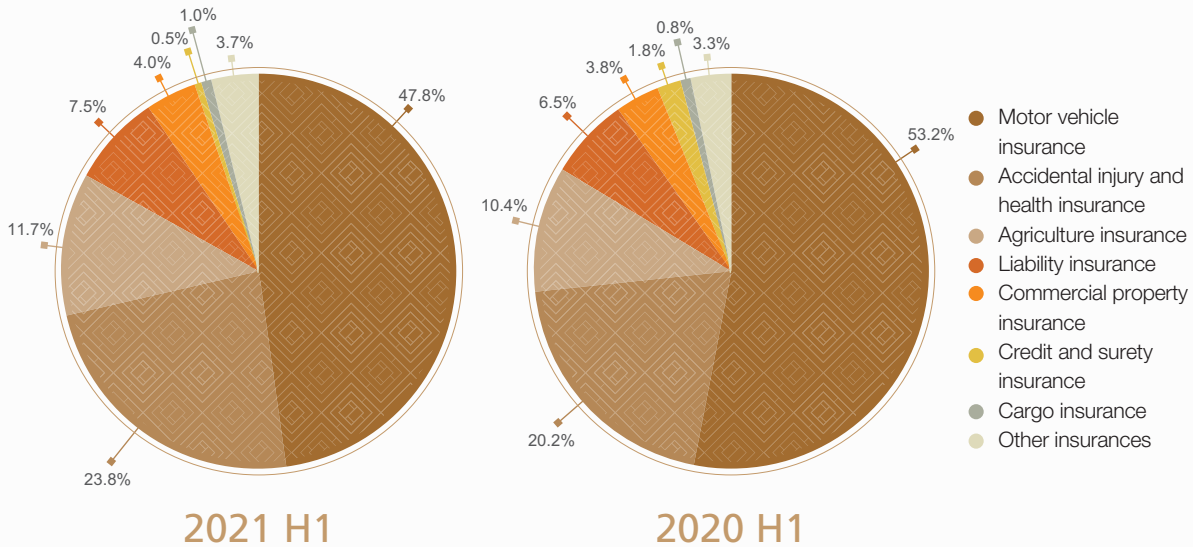
**Geographical segments**

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			
	2021	2020	Change	
	<i>RMB million</i>	<i>RMB million</i>	%	
Jiangsu Province	23,985	22,869	4.9	
Guangdong Province	23,812	22,383	6.4	
Zhejiang Province	18,337	17,272	6.2	
Shandong Province	16,427	15,782	4.1	
Hebei Province	13,713	15,146	-9.5	
Sichuan Province	12,202	11,641	4.8	
Hunan Province	12,044	10,934	10.2	
Hubei Province	11,566	10,903	6.1	
Fujian Province	10,510	9,516	10.4	
Anhui Province	10,433	10,209	2.2	
Other regions	98,796	98,984	-0.2	
Total	251,825	245,639	2.5	

## 2. Operating results by insurance segments

### Composition of gross written premiums



### Combined ratio by insurance segments

Insurance Segment	Loss ratio	Expense ratio	Combined Ratio	Change <i>pp</i>
Motor vehicle insurance	70.4%	26.3%	96.7%	↑ 1.9
Accidental injury and health insurance	84.9%	16.7%	101.6%	Remain the same
Agriculture insurance	75.8%	21.1%	96.9%	↓ 1.1
Liability insurance	63.1%	35.3%	98.4%	↑ 1.8
Commercial property insurance	57.5%	40.4%	97.9%	↑ 11.1
Credit and surety insurance	61.5%	28.1%	89.6%	↓ 49.0
Cargo insurance	41.7%	41.0%	82.7%	↓ 0.5
Other insurances	41.5%	38.2%	79.7%	↑ 0.3

**(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		Change %
	2021 RMB million	2020 RMB million	
Gross written premiums	<b>120,755</b>	131,019	-7.8
Net earned premiums	<b>119,073</b>	127,261	-6.4
Net claims incurred	<b>(83,788)</b>	(73,347)	14.2
Total expenses	<b>(31,360)</b>	(47,283)	-33.7
Underwriting profit	<b>3,925</b>	6,631	-40.8
Loss ratio (%)	<b>(70.4)</b>	(57.6)	Increase by 12.8 pp
Expense ratio (%)	<b>(26.3)</b>	(37.2)	Decrease by 10.9 pp
Combined ratio (%)	<b>(96.7)</b>	(94.8)	Increase by 1.9 pp

In the first half of 2021, the Company and its subsidiaries actively aligned with the trend of comprehensive reform of motor vehicle insurance, thoroughly carried out the regulatory reform logic of “increasing the coverages, decreasing the premium rate and enhancing the quality”, and continued to optimise the operating model of motor vehicle insurance business by maintaining the steady growth of renewed insurance policies, optimising the transferred-in insurance businesses, vigorously developing the household automobile insurance business, and strengthening the construction of direct sales teams and car dealer teams to enhance channel performance. The automobiles renewal rate increased by 2.1 percentage points as compared to the corresponding period of last year and the number of insured automobiles increased by 11.1% as compared to the corresponding period of last year. However, due to the decrease in premium rate, the average premium income per motor vehicle decreased significantly as compared to the corresponding period of last year, and the gross written premiums of the motor vehicle insurance dropped by RMB10,264 million (or -7.8%) to RMB120,755 million as compared to the corresponding period of last year.

After the implementation of the comprehensive reform of motor vehicle insurance, the coverages of compulsory motor vehicle insurance and motor vehicle damage insurance were expanded and value-added services were included in the insurance clauses, increasing the insurance coverages for customers. While providing better services to customers, in order to ensure operating profitability, the Company and its subsidiaries strengthened pricing capabilities, continued to optimise business quality and business structure and promoted cost reduction and profitability enhancement. The commission rate of motor vehicle insurance was 7.5%, representing a decrease of 7.1 percentage points as compared to the corresponding period of last year; and the expense ratio was 26.3%, representing a decrease of 10.9 percentage points as compared to the corresponding period of last year. However, due to the decrease in the average premium per motor vehicle and the increase in insurance liabilities, the loss ratio of the motor vehicle insurance increased by 12.8 percentage points to 70.4% as compared to the corresponding period of last year; the combined ratio was 96.7%, representing an increase of 1.9 percentage points as compared to the corresponding period of last year; and the underwriting profit was RMB3,925 million, representing a decrease of RMB2,706 million (or -40.8%) 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		
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	Change %
Gross written premiums	<b>60,036</b>	49,691	20.8
Net earned premiums	<b>35,055</b>	29,956	17.0
Net claims incurred	<b>(29,750)</b>	(26,683)	11.5
Total expenses	<b>(5,837)</b>	(3,738)	56.2
Underwriting loss	<b>(532)</b>	(465)	--
Loss ratio (%)	<b>(84.9)</b>	(89.1)	Decrease by 4.2 pp
Expense ratio (%)	<b>(16.7)</b>	(12.5)	Increase by 4.2 pp
Combined ratio (%)	<b>(101.6)</b>	(101.6)	Remain the same

In the first half of 2021, the Company and its subsidiaries, while successfully developing new critical illness insurance programs and consolidating the inherent advantages of other social medical insurance businesses, enhanced the development of "Huimin Insurance" business, a commercial medical insurance, by leveraging social medical insurance business resources, seized the opportunity of the second batch of long-term care insurance pilot, and vigorously developed various other new policy-oriented health insurance businesses, for example, the outpatient chronic and special diseases etc. The social medical insurance business thus achieved significant growth. In terms of commercial accidental injury and health insurance, the Company actively responded to insurance demands, vigorously developed the individual diversified businesses with sound profitability, and promoted accidental injury insurance for both drivers and passengers as well as individual health insurance businesses, to promote the high-quality and rapid development of the overall accidental injury and health insurance business. The accidental injury and health insurance achieved gross written premiums of RMB60,036 million, representing an increase of RMB10,345 million (or 20.8%) as compared to the corresponding period of last year.

The Company and its subsidiaries strengthened the use of information technology tools, implemented controls over total amount and project risk and improved the quality of claim settlement, resulting in an accidental injury and health insurance loss ratio of 84.9%, representing a decrease of 4.2 percentage points as compared to the corresponding period of last year. Due to rapid business growth of the individual diversified accidental injury and health insurance business, the overall accidental injury and health insurance recorded an expense ratio of 16.7%, representing an increase of 4.2 percentage points as compared to the corresponding period of last year; the combined ratio was 101.6%, same as the corresponding period of last year; and the underwriting loss was RMB532 million, as compared to an underwriting loss of RMB465 million for 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		Change %
	2021 RMB million	2020 RMB million	
Gross written premiums	<b>29,673</b>	25,695	15.5
Net earned premiums	<b>11,743</b>	10,239	14.7
Net claims incurred	<b>(8,906)</b>	(7,422)	20.0
Total expenses	<b>(2,480)</b>	(2,614)	-5.1
Underwriting profit	<b>357</b>	203	75.9
Loss ratio (%)	<b>(75.8)</b>	(72.5)	Increase by 3.3 pp
Expense ratio (%)	<b>(21.1)</b>	(25.5)	Decrease by 4.4 pp
Combined ratio (%)	<b>(96.9)</b>	(98.0)	Decrease by 1.1 pp

In the first half of 2021, the Company and its subsidiaries closely focused on the national strategy of rural revitalisation and consolidation of the achievements of poverty eradication. Firstly, the Company and its subsidiaries solidly promoted the raising of standards and expansion of coverages of traditional businesses and continuously improved agriculture insurance coverage; secondly, strengthened product innovation, newly launched more than 100 local specialty products such as Lingnan specialty fruit planting and fruit loss insurance, and expanded pilots of full cost insurance and income insurance from the original 6 provinces to 13 major grain-producing provinces. The gross written premiums of the agriculture insurance reached RMB29,673 million, representing an increase of RMB3,978 million (or 15.5%) as compared to the corresponding period of last year.

Due to the impact of natural disasters such as rainstorms, wind and hailstorms and freezes, the loss ratio of agriculture insurance was 75.8%, representing an increase of 3.3 percentage points as compared to the corresponding period of last year; the expense ratio was 21.1%, representing a decrease of 4.4 percentage points as compared to the corresponding period of last year; the combined ratio was 96.9%, representing a decrease of 1.1 percentage points as compared to the corresponding period of last year; the underwriting profit was RMB357 million, representing an increase of RMB154 million (or 75.9%) as compared to the corresponding period of last year.

**(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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	<b>18,876</b>	15,934	18.5
Net earned premiums	<b>10,874</b>	9,784	11.1
Net claims incurred	<b>(6,866)</b>	(5,981)	14.8
Total expenses	<b>(3,841)</b>	(3,474)	10.6
Underwriting profit	<b>167</b>	329	-49.2
Loss ratio (%)	<b>(63.1)</b>	(61.1)	Increase by 2.0 pp
Expense ratio (%)	<b>(35.3)</b>	(35.5)	Decrease by 0.2 pp
Combined ratio (%)	<b>(98.4)</b>	(96.6)	Increase by 1.8 pp

In the first half of 2021, the Company and its subsidiaries gave full play to their network and professional advantages, actively seized market opportunities and comprehensively assisted major national strategies, with projects such as safe production liability insurance and special equipment liability insurance continuing to develop rapidly. The liability insurance achieved gross written premiums of RMB18,876 million, representing an increase of RMB2,942 million (or 18.5%) as compared to the corresponding period of last year.

At the same time, the Company and its subsidiaries accelerated the construction of the risk control service platform and optimised the allocation of expense resources, resulting in a liability insurance expense ratio of 35.3%, representing a decrease of 0.2 percentage point as compared to the corresponding period of last year. Due to increase in the claim standard of personal injuries induced by the rise in the average social income level, the claim cost of personal injury-involved insurance increased. The loss ratio of the liability insurance was 63.1%, representing an increase of 2.0 percentage points as compared to the corresponding period of last year; the combined ratio was 98.4%, representing an increase of 1.8 percentage points as compared to the corresponding period of last year; and the underwriting profit was RMB167 million, representing a decrease of RMB162 million (or -49.2%) 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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	<b>10,121</b>	9,411	7.5
Net earned premiums	<b>4,525</b>	4,593	-1.5
Net claims incurred	<b>(2,604)</b>	(2,158)	20.7
Total expenses	<b>(1,826)</b>	(1,827)	-0.1
Underwriting profit	<b>95</b>	608	-84.4
Loss ratio (%)	<b>(57.5)</b>	(47.0)	Increase by 10.5 pp
Expense ratio (%)	<b>(40.4)</b>	(39.8)	Increase by 0.6 pp
Combined ratio (%)	<b>(97.9)</b>	(86.8)	Increase by 11.1 pp

In the first half of 2021, insurance demand was gradually released as the domestic economy continued to recover steadily. The Company and its subsidiaries actively seized market opportunities, supported national strategies, served people's livelihood projects and upgraded customer services. Commercial property insurance achieved gross written premiums of RMB10,121 million, representing an increase of RMB710 million (or 7.5%) as compared to the corresponding period of last year.

Due to the impact of heavy rainfall and other disasters, loss ratio of the commercial property insurance was 57.5%, representing an increase of 10.5 percentage points as compared to the corresponding period of last year; the expense ratio was 40.4%, representing an increase of 0.6 percentage point as compared to the corresponding period of last year; the combined ratio was 97.9%, representing an increase of 11.1 percentage points as compared to the corresponding period of last year; and the underwriting profit was RMB95 million, representing a decrease of RMB513 million (or -84.4%) 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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	<b>1,163</b>	4,318	-73.1
Net earned premiums	<b>2,932</b>	7,643	-61.6
Net claims incurred	<b>(1,804)</b>	(9,173)	-80.3
Total expenses	<b>(824)</b>	(1,418)	-41.9
Underwriting profit/(loss)	<b>304</b>	(2,948)	--
Loss ratio (%)	<b>(61.5)</b>	(120.0)	Decrease by 58.5 pp
Expense ratio (%)	<b>(28.1)</b>	(18.6)	Increase by 9.5 pp
Combined ratio (%)	<b>(89.6)</b>	(138.6)	Decrease by 49.0 pp

In the first half of 2021, the Company and its subsidiaries continued to strengthen risk control, the scale of the financing credit and surety insurance business significantly decreased, the overall credit and surety insurance achieved gross written premiums of RMB1,163 million, representing a decrease of RMB3,155 million (or -73.1%) as compared to the corresponding period of last year, but the scale of profitable non-financing credit and surety insurance business increased significantly as compared to the corresponding period of last year.

The Company and its subsidiaries actively adjusted the business structure through continuous clearance of the risk of existing businesses, continued to strengthen the subrogation and process control, and adhered to the priority of profitability by strict control over the quality of new business, thus the risks of the financing credit and surety insurance business were effectively resolved. In the first half of 2021, the financing credit and surety insurance business recorded a subrogation income of RMB1,328 million. The loss ratio of the overall credit and surety insurance was 61.5%, representing a decrease of 58.5 percentage points as compared to the corresponding period of last year. Due to the decrease in business scale and the increase in risk management expenses, the expense ratio was 28.1%, representing an increase of 9.5 percentage points as compared to the corresponding period of last year. The combined ratio was 89.6%, representing a decrease of 49.0 percentage points as compared to the corresponding period of last year. The financing credit and surety insurance recorded a profit, which was a turnaround, and the non-financing credit and surety insurance continued to maintain a decent underwriting profitability. The credit and surety insurance in total achieved an underwriting profit of RMB304 million as compared to an underwriting loss of RMB2,948 million in the corresponding period of last year.



**(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		
	2021 RMB million	2020 RMB million	Change %
Gross written premiums	2,529	2,020	25.2
Net earned premiums	1,409	1,346	4.7
Net claims incurred	(587)	(516)	13.8
Total expenses	(578)	(604)	-4.3
Underwriting profit	244	226	8.0
Loss ratio (%)	(41.7)	(38.3)	Increase by 3.4 pp
Expense ratio (%)	(41.0)	(44.9)	Decrease by 3.9 pp
Combined ratio (%)	(82.7)	(83.2)	Decrease by 0.5 pp

In the first half of 2021, the Company and its subsidiaries actively grasped the market opportunities brought by the trend of global economic rebound and the stable recovery of the domestic economy post the epidemic, and vigorously developed domestic road cargo insurance and import/export cargo insurance business, and increased product innovation and market development efforts in such segments as bulk commodity trade and domestic consumer logistics, driving the rapid development of overall cargo insurance business. The gross written premiums were RMB2,529 million, representing an increase of RMB509 million (or 25.2%) as compared to the corresponding period of last year.

In the first half of 2021, the loss ratio of cargo insurance was 41.7%, representing an increase of 3.4 percentage points as compared to the corresponding period of last year, mainly because the traffic and logistics control during the epidemic in the corresponding period of last year reduced the claim frequency, thus the loss ratio was at a low level; the expense ratio was 41.0%, representing a decrease of 3.9 percentage points as compared to the corresponding period of last year; the combined ratio was 82.7%, representing a decrease of 0.5 percentage point as compared to the corresponding period of last year; and the underwriting profit was RMB244 million, representing an increase of RMB18 million (or 8.0%) as compared to the corresponding period of last year.

**(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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	<b>9,473</b>	8,216	15.3
Net earned premiums	<b>4,163</b>	3,662	13.7
Net claims incurred	<b>(1,726)</b>	(1,605)	7.5
Total expenses	<b>(1,591)</b>	(1,302)	22.2
Underwriting profit	<b>846</b>	755	12.1
Loss ratio (%)	<b>(41.5)</b>	(43.8)	Decrease by 2.3 pp
Expense ratio (%)	<b>(38.2)</b>	(35.6)	Increase by 2.6 pp
Combined ratio (%)	<b>(79.7)</b>	(79.4)	Increase by 0.3 pp

In the first half of 2021, the Company and its subsidiaries actively adjusted their business structure and vigorously developed the non-motor vehicle insurance businesses, achieving gross written premiums of RMB9,473 million for other insurances, representing an increase of RMB1,257 million (or 15.3%) as compared to the corresponding period of last year. Except for marine hull insurance, which recorded a slight decrease in the gross written premiums as compared to the corresponding period of last year, special risk insurance, household property insurance and project insurance all achieved rapid growth in the gross written premiums as compared to the corresponding period of last year. The gross written premiums of special risk insurance were RMB2,834 million, representing an increase of RMB413 million (or 17.1%); the gross written premiums of household property insurance were RMB2,536 million, representing an increase of RMB360 million (or 16.5%); the gross written premiums of project insurance were RMB2,328 million, representing an increase of RMB500 million (or 27.4%); and the gross written premiums of marine hull insurance were RMB1,775 million, representing a decrease of RMB16 million (or -0.9%) as compared to the corresponding period of last year.

While promoting the growth of business scale, the Company and its subsidiaries strengthened risk control and technology empowerment. The loss ratio of other insurances was 41.5%, representing a decrease of 2.3 percentage points as compared to the corresponding period of last year; the expense ratio was 38.2%, representing an increase of 2.6 percentage points as compared to the corresponding period of last year; and the combined ratio was 79.7%, representing an increase of 0.3 percentage point as compared to the corresponding period of last year. Special risk insurance, household property insurance, project insurance and marine hull insurance all achieved underwriting profits, totalling RMB846 million, representing an increase of RMB91 million (or 12.1%) as compared to the corresponding period of last year.

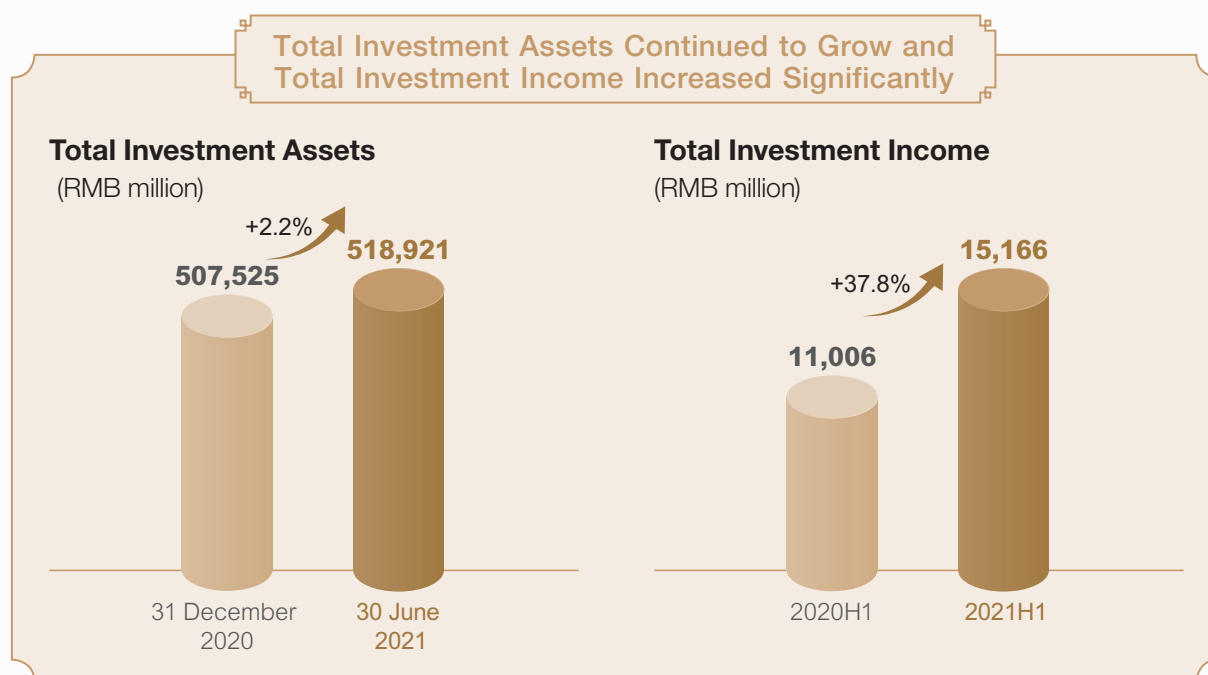
**(II) INSURANCE FUNDS INVESTMENT BUSINESS****1. Investment results**

	Six months ended 30 June		Change %
	2021 RMB million	2020 RMB million	
Investment income	9,746	9,123	6.8
<b>Net investment income</b>	<b>9,746</b>	9,123	6.8
Net realised and unrealised gains on investments	3,543	144	2,360.4
Share of profits or losses of associates and joint ventures	1,877	1,739	7.9
<b>Total investment income</b>	<b>15,166</b>	11,006	37.8
Net investment yield* (annualised) (%)	3.8	3.8	Remain the same
Total investment yield** (annualised) (%)	5.9	4.6	Increase by 1.3 pp
Total investment assets***	518,921	507,525	2.2

\* Net investment yield = Net investment income/(balance of the total investment assets at the beginning of the reporting period + balance of the total investment assets at the end of the reporting period) \*2

\*\* Total investment yield = Total investment income/(balance of the total investment assets at the beginning of the reporting period + balance of the total investment assets at the end of the reporting period) \*2

\*\*\* Based on the data as at 30 June 2021 and 31 December 2020.



## 2. Investment income

	Six months ended 30 June		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Operating lease income from investment properties	125	103	21.4
Interest income	7,275	7,034	3.4
Dividend income	2,346	1,986	18.1
Total of investment income	9,746	9,123	6.8

In the first half of 2021, investment income of the Company and its subsidiaries was RMB9,746 million, representing an increase of RMB623 million (or 6.8%) as compared to the corresponding period of last year, mainly due to an increase of RMB360 million (or 18.1%) of dividend income and an increase of RMB241 million (or 3.4%) of interest income as the Company increased the scale of its allocation to perpetual and fixed income products.

## 3. Net realised and unrealised gains on investments

	Six months ended 30 June		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Realised gains on investments	4,181	2,318	80.4
Unrealised gains/(losses) on investments	87	(25)	--
Impairment losses	(726)	(2,143)	-66.1
Fair value gains/(losses) on investment properties	1	(6)	--
Total of net realised and unrealised gains on investments	3,543	144	2,360.4

In the first half of 2021, the Company and its subsidiaries took advantage of secondary equity market opportunities and, when appropriate, reduce holdings of stocks and equity funds at high points, and have realised gains on investments of RMB4,181 million, representing an increase of RMB1,863 million (or 80.4%). The impairment losses of assets were RMB726 million, representing a decrease of RMB1,417 million (or -66.1%), mainly due to increased provisions on risk events in certain equity projects in the corresponding period of last year.

#### 4. Share of profits or losses of associates and joint ventures

	Six months ended 30 June		Change %
	2021 RMB million	2020 RMB million	
Share of profits or losses of associates and joint ventures	1,877	1,739	7.9

In the first half of 2021, share of profits of associates and joint ventures of the Company and its subsidiaries amounted to RMB1,877 million, representing an increase of RMB138 million (or 7.9%) as compared to the corresponding period of last year, mainly due to the positive operating performance of the Company's major associate and the corresponding increase in share of profit attributed to the Company and its subsidiaries.

#### 5. Composition of investment assets

	30 June 2021			31 December 2020	
	Balance RMB million	Percentage %	Change %	Balance RMB million	Percentage %
By category:					
Cash and cash equivalents	27,798	5.4	6.1	26,192	5.2
Term deposits	71,850	13.9	1.3	70,943	13.9
Debt securities	175,011	33.7	3.9	168,511	33.2
Equity securities and mutual funds	115,865	22.3	4.6	110,734	21.8
Investments classified as loans and receivables	63,913	12.3	-5.9	67,944	13.4
Investment properties	4,825	0.9	4.8	4,603	0.9
Investments in associates and joint ventures	54,810	10.6	2.9	53,262	10.5
Other investment assets (Note)	4,849	0.9	-9.1	5,336	1.1
Total investment assets	518,921	100.0	2.2	507,525	100.0

Note: Other investment assets mainly included capital security fund.

As of 30 June 2021, the investment assets of the Company and its subsidiaries were RMB518,921 million, representing an increase of RMB11,396 million (or 2.2%) as compared to the beginning of this year. The Company always adheres to a long-term and prudent investment philosophy, manages risks strictly, continuously optimises the investment portfolio and achieves a balance of return and risk.

## 6. Investments in associates and joint ventures

As of 30 June 2021, the investments in associates and joint ventures of the Company and its subsidiaries were RMB54,810 million, representing an increase of RMB1,548 million (or 2.9%) as compared to the beginning of this year, as described in Note 20 to the unaudited interim condensed consolidated financial information.

## 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 process 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		Change %
	2021 RMB million	2020 RMB million	
Profit before income tax	19,716	15,817	24.7
Income tax expense	(3,219)	(2,638)	22.0
Net profit for the period	16,497	13,179	25.2
Total assets (Note)	714,735	646,801	10.5
Net assets (Note)	197,545	190,031	4.0

Note: Based on the data as at 30 June 2021 and 31 December 2020.

### Profit before income tax

As a result of the foregoing, the profit before income tax of the Company and its subsidiaries in the first half of 2021 was RMB19,716 million, representing an increase of RMB3,899 million (or 24.7%) as compared to the corresponding period of last year.

### Income tax expense

In the first half of 2021, the Company and its subsidiaries recorded an income tax expense of RMB3,219 million, representing an increase of RMB581 million (or 22.0%) as compared to the corresponding period of last year. The increase in income tax expense was mainly due to the increase in profit before income tax.

### Net profit for the period

As a result of the foregoing, the net profit of the Company and its subsidiaries was RMB16,497 million, representing an increase of RMB3,318 million (or 25.2%) as compared to the corresponding period of last year, and basic earnings per share attributable to owners of the parent was RMB0.742.

### III. SPECIFIC ANALYSIS

#### (I) 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		Change RMB million
	2021 RMB million	2020 RMB million	
Net cash flows from operating activities	8,007	15,164	-7,157
Net cash flows from/(used in) investing activities	2,251	(29,618)	31,869
Net cash flows (used in)/from financing activities	(8,599)	12,605	-21,204
Net foreign exchange differences	(53)	43	-96
Net increase/(decrease) in cash and cash equivalents	1,606	(1,806)	3,412

In the first half of 2021, the net cash flows from operating activities of the Company and its subsidiaries were RMB8,007 million, representing a decrease of RMB7,157 million as compared to the corresponding period of last year. As a result of the comprehensive reform of motor vehicle insurance and business restructuring, expenses decreased significantly as compared to the corresponding period of last year, but there was a relatively small increase in cash premiums and a significant increase in cash payments as compared to the corresponding period of last year, resulting in a decrease in net cash flows from operating activities as compared to the corresponding period of last year.

In the first half of 2021, the net cash flows from investing activities of the Company and its subsidiaries were RMB2,251 million, and net cash flows used in investing activities were RMB29,618 million in the corresponding period of last year. The increase in net cash flows from investing activities was mainly due to the decrease in new investments as compared to the corresponding period of last year.

In the first half of 2021, the net cash flows used in financing activities of the Company and its subsidiaries were RMB8,599 million, and net cash flows from financing activities were RMB12,605 million in the corresponding period of last year. The decrease in net cash flows from financing activities was mainly due to the increase in net cash paid for the securities sold under agreements to repurchase as compared to the corresponding period of last year and the issuance of RMB8 billion capital supplementary bonds in the corresponding period of last year.

As of 30 June 2021, cash and cash equivalents of the Company and its subsidiaries amounted to RMB27,798 million.

### Gearing Ratio

As of 30 June 2021, the gearing ratio (*Note*) of the Company and its subsidiaries was 69.1%, representing an increase of 2.1 percentage points as compared to the gearing ratio as of 31 December 2020.

*Note:* The 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 2021, the capital expenditure of the Company and its subsidiaries was RMB644 million.

### Solvency Margin

	30 June 2021 <i>RMB million</i>	31 December 2020 <i>RMB million</i>	Change %
Actual capital	216,170	207,246	4.3
Core capital	187,961	179,290	4.8
Minimum capital	70,005	71,757	-2.4
Comprehensive solvency margin ratio (%)	309	289	Increase by 20 pp
Core solvency margin ratio (%)	269	250	Increase by 19 pp



## (II) 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 to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires 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 and its subsidiaries' financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company and its subsidiaries to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties.

### **(III) 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 2021, 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 on the operation of the Company and its subsidiaries.

#### ***Events after the Reporting Period***

On 20 July 2021, multiple places in Henan Province were hit by heavy rainfalls, which caused major casualties and property losses. Since the occurrence of the disaster, the Company and its subsidiaries have launched disaster emergency plan immediately and have been mobilizing branches of all levels for rescues and claims. The Company and its subsidiaries will keep continuous attention on the development of subsequent reported cases and paid claims of Henan disaster, assess and react actively to its impacts on the financial positions and operating results of the Company and its subsidiaries. Up to the date of the report, the assessment is still in progress.

#### ***Development of new products***

In the first half of 2021, the Company focused on hot spots of the market and customers' demand, and developed a total of 1,345 new insurance provisions, among which, 640 national provisions, 705 regional provisions, 742 main insurance provisions and 603 rider provisions. Among these new provisions, the Company registered 783 insurance provisions on the self-help registration platform of the Insurance Association of China and 12 insurance provisions on the platform of Shanghai Institute of Marine Insurance, filed 550 agriculture insurance provisions and agriculture-related provisions with the CBIRC's Insurance Provisions Electronic Filing System.

#### ***Employees***

As of 30 June 2021, the Company had 175,597 employees. In the first half of 2021, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB17,189 million, mainly including basic salaries, performance related bonuses, 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 trainings, 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.

## IV. LOOKING FORWARD

China has fully built a moderately prosperous society and is accelerating the construction of a new development paradigm featuring domestic and international dual circulations. China's property and casualty insurance industry is facing a historic opportunity with the economic and social foundation for development becoming more solid. At the same time, with the global epidemic still evolving, the domestic and international economic and financial situation is undergoing profound changes. The comprehensive reform of motor vehicle insurance continues to deepen across the industry, the pace of digital transformation speeds up, and the shifting of development engines for property and casualty insurance accelerates, raising new and higher requirements for the operation and development of insurance companies.

In the face of the new situation, new opportunities and new challenges, the Company and its subsidiaries will take the PICC Group's "Excellent Insurance Strategy" as a guide, coordinate stable growth and facilitating reform, and focus on the annual operation targets and tasks. With confidence in development and firmness in strategies, we will give priority to the "Six Strategic Services" as the key of strategy implementation, fully grasp the favorable opportunities in the industry development, promote strategic projects, strengthen technological empowerment, deepen innovation and reform, improve operational capabilities, and accelerate the construction of a new pattern of high-quality development of the Company.

### (I) TO STEADILY PROMOTE THE REFORM OF INSTITUTIONAL MECHANISM

We will optimise the organisational structure by being customer-centric oriented, improve the rules of performance assessment and resource allocation, and stimulate the power for and vitality of the Company's endogenous growth.

### (II) TO COMPREHENSIVELY AND SOLIDLY PROMOTE THE "SIX STRATEGIC SERVICES"

We will follow the new logic of "underwriting + loss reduction + empowerment + claim settlement", focus on the needs of individual, corporate and government customers, accelerate product and service innovation, and expand new space for business development.

### (III) TO STRENGTHEN CLAIM COST CONTROL

We will strengthen claim team building, focus on key aspects of claim settlement, implement rigid system control, increase technology empowerment in claim settlement, further reduce profit leakage, and provide strong support for the completion of the annual profit target.

### (IV) TO UPGRADE CUSTOMER SERVICE MANAGEMENT

We will improve the level of "smart" service, continuously improve the service process and customer experience; promote the construction of "car life, family life and health management" service ecosystem, providing customers with comprehensive services.



**(V) TO STRENGTHEN TECHNOLOGY  
EMPOWERMENT**

We will build a leading IT architecture, continue to combine systematic promotion with key breakthroughs, and improve the digitalisation of businesses, to provide strong technical support for the high-quality development of the Company.

**(VI) TO STEADILY IMPROVE TOTAL  
INVESTMENT INCOME**

We will strictly control the scale of equity assets and optimise the equity structure; and, with the purpose of stabilising position yields, flexibly allocate fixed-income assets under the premise of strictly controlling credit risk.

**(VII) TO PROMOTE THE CONSTRUCTION OF A  
COMPREHENSIVE RISK MANAGEMENT SYSTEM**

We will accelerate the construction of a digital risk control platform, continuously improve the internal control and compliance system, focus on strengthening risk management in key areas and key links, and guard the bottom line of no systemic risk.

# Corporate Governance and Other Information

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

The Directors, Supervisors and President 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 2021 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.

During the six months ended 30 June 2021, the Company did not grant any rights to the Directors, Supervisors or President of the Company (including their spouses or children under the age of 18) to subscribe for shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO. As at 30 June 2021, none of the abovementioned subscription right existed.

## CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

### *CHANGES IN DIRECTORATE*

Changes in the Board members during the period from 1 January 2021 to the date of this interim report are as follows:

Ms. Xie Xiaoyu resigned as an Executive Director of the Company with effect from 22 February 2021 due to her retirement and ceased to act as a member of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board simultaneously.

Mr. Xie Yiqun resigned as the President of the Company and the Vice Chairman of the Board with effect from 23 March 2021 and 26 March 2021 respectively due to other work arrangements. Mr. Xie resigned as an Executive Director of the Company with effect from 25 June 2021 due to age reason and ceased to act as a member of the Strategic Planning Committee and a member of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board simultaneously.

Mr. Ma Yusheng resigned as an Independent Non-executive Director of the Company with effect from 31 May 2021 due to other work arrangements and ceased to act as the chairman of the Nomination, Remuneration and Review Committee of the Board simultaneously.

Mr. Yu Ze was appointed as an Executive Director of the Company by the Shareholders at the annual general meeting held on 18 June 2021 (the "AGM") with a term of office commencing from the date of being approved by the AGM as well as obtaining approval for his qualification as a Director by the CBIRC and ending upon the expiry of the term of the 5th session of the Board. Mr. Yu has been appointed by the Board as a member of the Strategic Planning Committee and the Chairman of the Consumers' Rights and Interests Protection, Risk Management and Investment Decision-making Committee of the Board. The terms of office of Mr. Yu as members of the committees of the Board are the same as his term of office as a Director.

As at the date of this interim report, the Board comprises:

Mr. Luo Xi (*Chairman of the Board, Non-executive Director*)  
Mr. Jiang Caishi (*Executive Director*)  
Mr. Li Tao (*Non-executive Director*)  
Mr. Lin Hanchuan (*Independent Non-executive Director*)  
Mr. Lo Chung Hing (*Independent Non-executive Director*)  
Mr. Chu Bende (*Independent Non-executive Director*)  
Ms. Qu Xiaohui (*Independent Non-executive Director*)

#### **CHANGES IN SUPERVISORY COMMITTEE**

There was no change in the members of the Supervisory Committee during the period from 1 January 2021 to the date of this interim report.

As at 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*

Mr. Li Tao, a Non-executive Director of the Company, no longer acts as the Deputy Secretary of the Party Committee of PICC Life Insurance Company Limited.

Mr. Chu Bende, an Independent Non-executive Director of the Company, no longer acts as a consultant of the National Internet Finance Association of China.

### *CHANGES IN THE INFORMATION ON SUPERVISORS*

Mr. Zhang Xiaoli, the Chairman of the Supervisory Committee, also acts as a member of the 5th Council of China Financial Ideological and Political Work Research Association, a standing member of Incorruptible Culture Construction and Legal Compliance Committee of China Insurance Association.

Mr. Wang Yadong, a Shareholder Representative Supervisor, also acts as the employee representative supervisor of The Peoples' Insurance Company (Group) of China Limited\*.

Mr. Lu Zhengfei, an Independent Supervisor, no longer acts as an independent non-executive director of Lian Life Insurance Co., Ltd. and Beijing Turen Urban Planning and Design Co., Ltd..

\* This Company is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Securities Transactions Guidelines") that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions Guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code and the Securities Transactions Guidelines during the first half of 2021.



## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2021, 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)
The Capital Group Companies, Inc.	Interest of controlled corporations	548,261,000 (Note 2)	Long position	7.95%	2.46%
BlackRock, Inc.	Interest of controlled corporations	420,006,251 (Note 3)	Long Position	6.09%	1.89%
	Interest of controlled corporations	2,184,000 (Note 3)	Short Position	0.03%	0.01%
Citigroup Inc.	Person having a security interest in shares, interest of controlled corporations, approved lending agent	419,666,588 (Note 4)	Long Position	6.08%	1.89%
	Interest of controlled corporations	7,444,000 (Note 4)	Short Position	0.10%	0.03%
	Approved lending agent	394,905,278	Lending Pool	5.72%	1.78%
Schroders Plc	Investment manager	414,748,397	Long Position	6.01%	1.86%
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, persons having a security interest in shares, trustee, approved lending agent	351,003,558 (Note 5)	Long Position	5.08%	1.58%
	Interest of controlled corporations	32,725,141 (Note 5)	Short Position	0.47%	0.15%
	Approved lending agent	218,039,976	Lending Pool	3.16%	0.98%

*Notes:*

1. As at 30 June 2021, 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, 1,176,000 H shares (Long position) were held through derivatives, categorised as held through physically settled unlisted derivatives.
3. Among which, 1,154,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.
4. Among which, 7,808,800 H shares (Long position) and 7,444,000 H Shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.
5. Among which, 420,000 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 1,560,000 H shares (Short position) were held through derivatives, categorised as held through cash settled listed derivatives; 926,990 H shares (Long position) and 8,548,304 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 10,818,000 H shares (Long position) and 22,158,000 H shares (Short position) were held through derivatives, categorised as cash settled unlisted derivatives; 1 H share (Short position) was held through a derivative, categorised as a convertible instruments listed derivative.

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 2021.

## INTERIM DIVIDEND

The Board of Directors did not propose any interim dividend for the six months ended 30 June 2021.

## 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 2021.

## CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2021.

## REVIEW OF INTERIM RESULTS

PricewaterhouseCoopers, the Company's auditor, and the Audit Committee of the Company have reviewed the unaudited interim condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2021.

# Report on Review of Interim Financial Information

**To the Board of Directors of PICC Property and Casualty Company Limited**

*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on page 34 to 79, which comprises the interim condensed consolidated statement of financial position of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 20 August 2021

# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Gross written premiums	4	252,626	246,304
Net earned premiums	4	189,774	194,484
Net claims incurred	5	(136,031)	(126,885)
Net policy acquisition costs		(29,277)	(37,995)
Other underwriting expenses		(13,354)	(19,092)
Administrative expenses		(5,706)	(5,173)
<b>UNDERWRITING PROFIT</b>		<b>5,406</b>	<b>5,339</b>
Investment income	6	9,746	9,123
Net realised and unrealised gains on investments	7	3,543	144
Investment related expenses		(259)	(207)
Foreign exchange (losses)/gains, net		(100)	149
Other income, net		456	146
Finance costs	8	(953)	(616)
Share of profits or losses of associates and joint ventures		1,877	1,739
<b>PROFIT BEFORE INCOME TAX</b>	9	<b>19,716</b>	<b>15,817</b>
Income tax expense	10	(3,219)	(2,638)
<b>NET PROFIT FOR THE PERIOD</b>		<b>16,497</b>	<b>13,179</b>
Attributable to:			
– Owners of the parent		16,499	13,179
– Non-controlling interests		(2)	–
		<b>16,497</b>	<b>13,179</b>
Basic earnings per share	12	RMB0.742	RMB0.593
Diluted earnings per share	12	RMB0.742	RMB0.593

The accompanying notes form an integral part of the interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>NET PROFIT FOR THE PERIOD</b>		<b>16,497</b>	13,179
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets			
– Fair value gains/(losses)		2,694	(3,143)
– Reclassification of gains to profit or loss on disposals		(4,184)	(1,989)
– Impairment losses	7	374	2,032
– Income tax effect		263	775
		(853)	(2,325)
Share of other comprehensive (loss)/income of associates and joint ventures		(165)	86
<b>NET OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>(1,018)</b>	(2,239)
Items that will not be reclassified to profit or loss in subsequent periods:			
– Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	21	347	134
– Income tax effect		(85)	(34)
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>262</b>	100
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		<b>(756)</b>	(2,139)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>15,741</b>	11,040
Attributable to:			
– Owners of the parent		15,743	11,040
– Non-controlling interests		(2)	–
		<b>15,741</b>	11,040

The accompanying notes form an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	13	27,798	26,192
Debt securities	14	175,011	168,511
Equity securities and mutual funds	15	115,865	110,734
Insurance receivables, net	16	94,841	50,103
Reinsurance assets	17	38,470	33,167
Term deposits	18	71,850	70,943
Investments classified as loans and receivables	19	63,913	67,944
Investments in associates and joint ventures	20	54,810	53,262
Investment properties	21	4,825	4,603
Property and equipment	22	24,250	25,725
Right-of-use assets	23	6,040	5,087
Deferred income tax assets		9,647	5,055
Prepayments and other assets	24	27,415	25,475
<b>TOTAL ASSETS</b>		<b>714,735</b>	<b>646,801</b>
<b>LIABILITIES</b>			
Payables to reinsurers	25	30,515	21,818
Accrued insurance security fund		1,039	837
Securities sold under agreements to repurchase		21,500	29,028
Income tax payable		3,714	38
Insurance contract liabilities	26	365,071	312,873
Policyholders' deposits		1,751	1,750
Bonds payable	27	23,349	23,297
Lease liabilities		1,948	1,668
Accruals and other liabilities	28	68,303	65,461
<b>TOTAL LIABILITIES</b>		<b>517,190</b>	<b>456,770</b>

The accompanying notes form an integral part of the interim condensed consolidated financial information.

	<i>Notes</i>	<b>30 June 2021</b> <b>(Unaudited)</b>	31 December 2020 (Audited)
<b>EQUITY</b>			
Issued capital	29	<b>22,242</b>	22,242
Reserves		<b>172,672</b>	165,271
Equity attributable to owners of the parent		<b>194,914</b>	187,513
Non-controlling interests		<b>2,631</b>	2,518
<b>TOTAL EQUITY</b>		<b>197,545</b>	190,031
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>714,735</b>	646,801

The accompanying notes form an integral part of the interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2021 (Unaudited)											
	Attributable to owners of the parent											
	Reserves*											
	Issued capital	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve**	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income/(loss) of associates and joint ventures	Retained profits	Sub-total	Non-controlling interests	Total equity
1 January 2021	22,242	11,412	3,661	20,764	61,814	17,537	1,149	904	48,030	187,513	2,518	190,031
Total comprehensive income/(loss)												
Net profit for the period	-	-	-	-	-	-	-	-	16,499	16,499	(2)	16,497
Other comprehensive income/(loss)	-	-	262	(853)	-	-	-	(165)	-	(756)	-	(756)
Dividends declared****(Note 11)	-	-	-	-	-	-	-	-	(8,342)	(8,342)	-	(8,342)
Others	-	-	-	-	-	-	-	-	-	-	115	115
30 June 2021	22,242	11,412	3,923	19,911	61,814	17,537	1,149	739	56,187	194,914	2,631	197,545

\* The consolidated reserves of RMB172,672 million in the interim condensed consolidated statement of financial position at 30 June 2021 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 18 June 2021, the shareholders of the Company at the general meeting approved a final dividend of RMB0.375 per ordinary share totaling RMB8,342 million for the year ended 31 December 2020.

The accompanying notes form an integral part of the interim condensed consolidated financial information.



For the six months ended 30 June 2020 (Unaudited)

	Attributable to owners of the parent										Total equity	
	Reserves*											
	Issued capital	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve**	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income/(loss) of associates and joint ventures	Retained profits	Sub-total		Non-controlling interests
<b>1 January 2020</b>	22,242	11,412	3,376	14,211	59,703	15,426	1,789	796	40,988	169,953	1	169,954
Total comprehensive income/(loss)												
Net profit for the period	-	-	-	-	-	-	-	-	13,179	13,179	-	13,179
Other comprehensive income/(loss)	-	-	100	(2,325)	-	-	-	86	-	(2,139)	-	(2,139)
Dividend declared*** (Note 11)	-	-	-	-	-	-	-	-	(10,254)	(10,254)	-	(10,254)
Others	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
<b>30 June 2020</b>	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 interim condensed consolidated statement of financial position 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.

The accompanying notes form an integral part of the interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>		<b>8,007</b>	15,164
<b>NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest received		6,546	7,317
Payment for purchase of debt securities, equity securities and mutual funds		(53,461)	(68,847)
Payment for purchase of investments classified as loans and receivables		(1,243)	(10,154)
Increase in term deposits, net		(907)	(9,410)
Payment for capital expenditure		(644)	(2,901)
Payment for acquisition of associates		–	(2,361)
Payment for acquisition of subsidiaries		–	(255)
Proceeds from sale of debt securities, equity securities and mutual funds		44,446	45,750
Proceeds from maturities of investments classified as loans and receivables		5,437	8,841
Dividend income received from equity securities and mutual funds		1,879	1,001
Dividend income received from associates		9	640
Proceeds on disposal of interest in an associate		–	594
Others		189	167
<b>Subtotal</b>		<b>2,251</b>	(29,618)
<b>NET CASH FLOWS GENERATED (USED IN)/FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital supplementary bonds		–	8,000
(Decrease)/Increase in securities sold under agreements to repurchase, net		(7,528)	5,139
Repayments of lease liabilities		(380)	(348)
Interest paid		(806)	(186)
Funds from capital invested by non-controlling shareholders		115	–
<b>Subtotal</b>		<b>(8,599)</b>	12,605

The accompanying notes form an integral part of the interim condensed consolidated financial information.

	<i>Note</i>	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Effect of exchange rate changes on cash and cash equivalents		(53)	43
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,606</b>	<b>(1,806)</b>
Cash and cash equivalents at the beginning of the period		<b>26,192</b>	32,520
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<i>13</i>	<b>27,798</b>	30,714
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Demand deposits	<i>13</i>	<b>14,432</b>	16,874
Securities purchased under resale agreements with original maturity of no more than three months	<i>13</i>	<b>13,366</b>	13,840
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<i>13</i>	<b>27,798</b>	30,714

The accompanying notes form an integral part of the interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

(All amounts expressed in RMB million unless otherwise specified)

## 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 mainly engaged in property and casualty insurance business. Details of the operating segments are set out in note 3 to the interim condensed consolidated financial information.

The interim condensed consolidated financial information is 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information has 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 interim condensed consolidated financial information for the six months ended 30 June 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

### 2.2 Significant accounting policies

The interim condensed consolidated financial information has 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.

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

### 2.2 Significant accounting policies (continued)

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's interim condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-related rent concessions beyond 30 June 2021".

The application of the amendments to HKFRSs in the current interim period have 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 the interim condensed consolidated financial information.

#### New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in the interim condensed consolidated financial information:

Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 Cycle <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1 HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKFRS 1 and HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

None of these HKFRSs is expected to have a significant effect on the interim condensed consolidated financial information of the Group, except for HKFRS 9 and HKFRS 17. The Group is currently assessing the impact of the implementation of HKFRS 9 and HKFRS 17.

### 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 and other segment includes the income and expenses from investment activities, share of results of associates and joint ventures, 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 and other business segment.

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

Segment income statement for the six months ended 30 June 2021 (unaudited):

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
Gross written premiums	120,755	10,121	2,529	18,876	60,036	29,673	1,163	9,473	-	252,626
Net earned premiums	119,073	4,525	1,409	10,874	35,055	11,743	2,932	4,163	-	189,774
Net claims incurred	(83,788)	(2,604)	(587)	(6,866)	(29,750)	(8,906)	(1,804)	(1,726)	-	(136,031)
Net policy acquisition costs	(19,188)	(1,128)	(384)	(2,571)	(4,513)	(268)	(389)	(836)	-	(29,277)
Other underwriting expenses	(9,072)	(362)	(121)	(881)	(798)	(1,475)	(218)	(427)	-	(13,354)
Administrative expenses	(3,100)	(336)	(73)	(389)	(526)	(737)	(217)	(328)	-	(5,706)
<b>Underwriting profit/(loss)</b>	<b>3,925</b>	<b>95</b>	<b>244</b>	<b>167</b>	<b>(532)</b>	<b>357</b>	<b>304</b>	<b>846</b>	<b>-</b>	<b>5,406</b>
Investment income	-	-	-	-	-	-	-	-	9,746	9,746
Net realised and unrealized gains on investments	-	-	-	-	-	-	-	-	3,543	3,543
Investment related expenses	-	-	-	-	-	-	-	-	(259)	(259)
Foreign exchange losses, net	-	-	-	-	-	-	-	-	(100)	(100)
Other income, net	-	-	-	-	-	-	-	-	456	456
Finance costs	-	-	-	-	-	-	-	-	(953)	(953)
Share of profits or losses of associates and joint ventures	-	-	-	-	-	-	-	-	1,877	1,877
<b>Profit/(loss) before income tax</b>	<b>3,925</b>	<b>95</b>	<b>244</b>	<b>167</b>	<b>(532)</b>	<b>357</b>	<b>304</b>	<b>846</b>	<b>14,310</b>	<b>19,716</b>
Income tax expense	-	-	-	-	-	-	-	-	(3,219)	(3,219)
<b>Net profit/(loss) for the period – segment results</b>	<b>3,925</b>	<b>95</b>	<b>244</b>	<b>167</b>	<b>(532)</b>	<b>357</b>	<b>304</b>	<b>846</b>	<b>11,091</b>	<b>16,497</b>

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

Segment income statement for the six months ended 30 June 2020 (unaudited):

	Insurance									Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	
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)
<b>Underwriting profit/(loss)</b>	6,631	608	226	329	(465)	203	(2,948)	755	-	5,339
Investment income	-	-	-	-	-	-	-	-	9,123	9,123
Net realised and unrealized gains on investments	-	-	-	-	-	-	-	-	144	144
Investment related expenses	-	-	-	-	-	-	-	-	(207)	(207)
Foreign exchange gains, net	-	-	-	-	-	-	-	-	149	149
Other income, net	-	-	-	-	-	-	-	-	146	146
Finance costs	-	-	-	-	-	-	-	-	(616)	(616)
Share of profits or losses of associates and joint ventures	-	-	-	-	-	-	-	-	1,739	1,739
<b>Profit/(loss) before income tax</b>	6,631	608	226	329	(465)	203	(2,948)	755	10,478	15,817
Income tax expense	-	-	-	-	-	-	-	-	(2,638)	(2,638)
<b>Net profit/(loss) for the period</b>										
- segment results	6,631	608	226	329	(465)	203	(2,948)	755	7,840	13,179



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

The segment assets and liabilities of the Group at 30 June 2021 and other segment information for the six months ended 30 June 2021 are as follows:

30 June 2021 (Unaudited)	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
Segment assets	7,449	12,597	2,283	17,578	33,479	32,027	8,646	21,829	578,847	714,735
Segment liabilities	212,703	22,427	4,220	39,686	66,473	37,065	13,321	28,851	92,444	517,190
<b>For the six months ended 30 June 2021 (Unaudited)</b>										
Other segment information:										
Capital expenditures	308	26	6	48	153	76	3	24	-	644
Depreciation and amortisation	840	70	18	131	419	206	8	66	-	1,758
Provision for/(reversal of) impairment losses on insurance receivables, prepayments and other assets	179	166	(3)	53	36	252	77	97	-	857
Interest income	-	-	-	-	-	-	-	-	7,275	7,275

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

The segment assets and liabilities of the Group at 31 December 2020 and other segment information for the six months ended 30 June 2020 are as follows:

31 December 2020 (Audited)	Insurance									Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	
Segment assets	8,280	9,493	1,636	12,452	9,695	15,713	11,484	17,244	560,804	646,801
Segment liabilities	213,119	19,823	3,632	34,058	35,957	20,991	17,177	23,552	88,461	456,770
For the 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
Provision for/(reversal of) impairment losses on insurance receivables, prepayments and other assets	(9)	207	34	61	61	37	77	136	-	604
Interest income	-	-	-	-	-	-	-	-	7,034	7,034

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Direct written premiums	251,825	245,639
Reinsurance premiums assumed	801	665
Gross written premiums	252,626	246,304
Reinsurance premiums ceded	(27,230)	(24,310)
Net written premiums	225,396	221,994
Gross change in unearned premium reserves	(41,592)	(33,209)
Reinsurer's share of change in unearned premium reserves	5,970	5,699
Net change in unearned premium reserves	(35,622)	(27,510)
Net earned premiums	189,774	194,484

## 5. NET CLAIMS INCURRED

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Gross claims paid	135,452	116,925
Paid losses recoverable from reinsurers	(10,694)	(8,704)
Net claims paid	124,758	108,221
Gross change in loss and loss adjustment expense reserves	10,606	20,136
Reinsurer's share of change in loss and loss adjustment expense reserves	667	(1,472)
Net change in loss and loss adjustment expense reserves	11,273	18,664
Net claims incurred	136,031	126,885

## 6. INVESTMENT INCOME

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Operating lease income from investment properties	125	103
Interest income from:		
Current and term deposits	1,750	1,662
Debt securities		
– Held-to-maturity financial assets	1,136	1,159
– Available-for-sale financial assets	2,326	1,996
– Financial assets at fair value through profit or loss	207	272
Investments classified as loans and receivables	1,856	1,945
Subtotal	7,275	7,034
Dividend income from equity securities and mutual funds:		
– Available-for-sale financial assets	2,326	1,954
– Financial assets at fair value through profit or loss	20	32
Subtotal	2,346	1,986
Total	9,746	9,123

## 7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale financial assets	111	107
– Financial assets at fair value through profit or loss	(13)	44
Equity securities and mutual funds		
– Available-for-sale financial assets	4,073	1,882
– Financial assets at fair value through profit or loss	10	46
Disposal of an associate	–	239
Subtotal	4,181	2,318
Unrealised gains/(losses) from:		
Debt securities at fair value through profit or loss	74	(67)
Equity securities and mutual funds at fair value through profit or loss	13	42
Subtotal	87	(25)
Impairment losses on:		
Bonds classified as available-for-sale financial assets (note 14)	(31)	–
Equity securities and mutual funds classified as available-for-sale financial assets (note 15)	(343)	(2,032)
Investments classified as loans and receivables (note 19)	(352)	(111)
Subtotal	(726)	(2,143)
Fair value gains/(losses) on investment properties (note 21)	1	(6)
Total	3,543	144

## 8. FINANCE COSTS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Interest on bonds payable	468	407
Interest on securities sold under agreements to repurchase	404	162
Interest on lease liabilities	37	39
Others	44	8
<b>Total</b>	<b>953</b>	<b>616</b>

## 9. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Employee expenses	23,340	21,647
– Salaries, allowances and performance related bonuses	21,991	20,438
– Pension scheme contributions	1,349	1,209
Depreciation of property and equipment	946	908
Depreciation of right-of-use assets	521	585
Amortisation of intangible assets	291	212
Impairment losses on insurance receivables (note 16)	644	606
Provision for/(Reversal of) impairment losses on prepayments and other assets	213	(2)
Net gains on disposal of property and equipment	(47)	(28)

## 10. INCOME TAX EXPENSE

The provision for income tax expense is calculated based on the statutory rate of 25% in accordance with the relevant PRC income tax rules and regulations during each period. Starting in 2020, the Company's branches in some western provinces and Hainan Province enjoy the preferential tax rate of 15% for eligible taxable income. According to relevant tax regulations, the preferential tax rate of some western provinces and Hainan Province are applicable until 2030 and 2024, respectively.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Current tax	7,652	9,729
Deferred tax	(4,433)	(7,091)
Total	3,219	2,638

## 11. DIVIDENDS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2019 Final – RMB0.461 per ordinary share	–	10,254
Year 2020 Final – RMB0.375 per ordinary share	8,342	–

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2021 (for the six months ended 30 June 2020: No interim dividend was distributed by the Company in respect of the interim period).



## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	16,499	13,179
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (note 29)	22,242	22,242
Basic earnings per share	RMB0.742	RMB0.593

Basic earnings per share was calculated as the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue for this six months ended 30 June 2021.

### (b) Diluted earnings per share

For the six months ended 30 June 2020 and 2021, the Group holds no dilutive potential ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

## 13. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Demand deposits	14,432	14,173
Securities purchased under resale agreements with original maturity of no more than three months	13,366	12,019
Total	27,798	26,192
Cash and cash equivalents by accounting categories:		
Loans and receivables	27,798	26,192

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the interim condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate the fair values of those collaterals at 30 June 2021 and 31 December 2020.

## 14. DEBT SECURITIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Available-for-sale financial assets, at fair value	119,889	108,516
Held-to-maturity financial assets, at amortised cost	42,804	48,796
Financial assets at fair value through profit or loss	12,318	11,199
<b>Total</b>	<b>175,011</b>	<b>168,511</b>

## 15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Investments, at fair value:		
Listed shares	37,867	42,062
Mutual funds	28,889	26,571
Perpetual bonds	13,826	10,993
Perpetual trust plans and perpetual debt plans	11,840	10,090
Equity schemes	11,624	10,476
Preferred shares	8,250	7,815
Unlisted shares	2,983	2,727
Wealth management product	586	–
<b>Total</b>	<b>115,865</b>	<b>110,734</b>
Equity securities and mutual funds by accounting categories:		
Available-for-sale financial assets, at fair value	110,982	107,152
Financial assets at fair value through profit or loss	4,883	3,582
<b>Total</b>	<b>115,865</b>	<b>110,734</b>

For the six months ended 30 June 2021, an impairment loss of RMB343 million was provided by the Group on equity securities and mutual funds (for the six months ended 30 June 2020: RMB2,032 million).

## 16. INSURANCE RECEIVABLES, NET

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Premiums receivable and agents' balances	81,414	36,618
Receivables from reinsurers	17,482	16,897
<b>Total</b>	<b>98,896</b>	53,515
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,875)	(3,251)
– Receivables from reinsurers	(180)	(161)
<b>Net value</b>	<b>94,841</b>	50,103

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
At the beginning of the period	3,412	3,332
Recognition of impairment losses (note 9)	644	606
Amount written off as uncollectible	(1)	(9)
<b>At the end of the period</b>	<b>4,055</b>	3,929

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Not overdue	69,270	35,710
Within 3 months	12,757	7,987
3 to 6 months	6,397	2,077
6 to 12 months	3,154	3,525
1 to 2 years	2,768	720
Over 2 years	495	84
<b>Total</b>	<b>94,841</b>	50,103

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

Included in the Group's insurance receivables are amounts due from a fellow subsidiary under PICC Group of RMB452 million (31 December 2020: RMB177 million) and an associate of RMB1,038 million (31 December 2020: RMB1,320 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 Company performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and appropriate allowances to be provided for impairment of reinsurance assets.

## 17. REINSURANCE ASSETS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Reinsurers' share of:		
Unearned premium reserves (note 26)	19,283	13,313
Loss and loss adjustment expense reserves (note 26)	19,187	19,854
Total	38,470	33,167

## 18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
More than 3 months to 1 year	2,034	1,205
More than 1 year to 2 years	2	47
More than 2 years to 3 years	7,419	6,795
More than 3 years	62,395	62,896
Total	71,850	70,943

## 19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term debt investment schemes	32,073	34,944
Trust plans	24,411	25,381
Asset management products	7,187	6,540
Others	1,204	1,689
<b>Total</b>	<b>64,875</b>	<b>68,554</b>
Less: Impairment losses (note 7)	(962)	(610)
<b>Net carrying value</b>	<b>63,913</b>	<b>67,944</b>

## 20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Associates		
Cost of investments in associates	38,560	38,560
Share of post-acquisition profit and other equity movement income, net of dividend received	16,212	14,664
<b>Subtotal</b>	<b>54,772</b>	<b>53,224</b>
Joint ventures		
Cost of investment in joint ventures	98	98
Share of post-acquisition profit and other equity movement income, net of dividend received	(60)	(60)
<b>Subtotal</b>	<b>38</b>	<b>38</b>
<b>Total</b>	<b>54,810</b>	<b>53,262</b>

## 21. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
At 1 January	4,603	4,598
Transferred from property and equipment and right-of-use assets	108	43
Fair value gain on revaluation of investment properties transferred from property and equipment and right-of-use assets	347	134
Increase in fair value of investment properties (note 7)	1	(6)
Transferred to property and equipment and right-of-use assets	(234)	(344)
At 30 June	4,825	4,425

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

For the six months ended 30 June 2021, the Group acquired assets with a cost of RMB596 million (for the six months ended 30 June 2020: RMB315 million) and incurred construction costs of RMB160 million (for the six months ended 30 June 2020: RMB2,661 million) for construction in progress.

Assets with a net book value of RMB17 million were disposed of by the Group for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB30 million), resulting in a net disposal gain of RMB47 million (for the six months ended 30 June 2020: gain of RMB28 million).

For the six months ended 30 June 2021, construction in progress with an aggregate amount of RMB205 million (for the six months ended 30 June 2020: RMB706 million) was transferred to land and buildings upon completion.

For the six months ended 30 June 2021, property and equipment with a carrying amount of RMB92 million (for the six months ended 30 June 2020: RMB25 million) was transferred to investment properties, and investment properties with a carrying amount of RMB170 million (for the six months ended 30 June 2020: RMB344 million) was transferred to property and equipment.

## 23. RIGHT-OF-USE ASSETS

For the six months ended 30 June 2021, 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 RMB699 million of right-of-use assets and RMB585 million lease liabilities related to these new or modified leases.

At 30 June 2021, right-of-use assets included prepaid land premium of RMB4,146 million. (31 December 2020: RMB3,339 million).

## 24. PREPAYMENTS AND OTHER ASSETS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Interest receivables	5,897	5,168
Restricted bank deposits (i)	4,449	4,449
Deductible input value-added tax	3,867	4,410
Intangible assets	2,192	2,453
Receivables from co-insurers for amounts paid on their behalf	2,067	2,119
Securities settlement receivables	1,815	711
Deposits	1,720	1,316
Prepayments for assets and services	945	405
Trade receivables	850	458
Reinsurance deposit	600	670
Subrogation receivables	535	505
Prepaid insurance underwriting commission	409	407
Amounts due from fellow subsidiaries under PICC Group (note 33(b))	322	320
Amounts due from PICC Group (note 33(b))	170	50
Amounts due from associates (note 33(b))	18	4
Others	2,472	2,353
<b>Total</b>	<b>28,328</b>	<b>25,798</b>
Less: Impairment provision on		
– Receivables from co-insurers for amounts paid on their behalf	(170)	(166)
– Others	(743)	(157)
<b>Net value</b>	<b>27,415</b>	<b>25,475</b>

- (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 under PICC Group of RMB653 million (31 December 2020: RMB243 million) and an associate of RMB2,620 million (31 December 2020: RMB2,088 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 2021 (Unaudited)		
	Gross amount	Reinsurers' share	Net amount
Unearned premium reserves			
1 January 2021	159,093	(13,313)	145,780
Increase during the period	220,620	(20,355)	200,265
Decrease during the period	(179,028)	14,385	(164,643)
30 June 2021	200,685	(19,283)	181,402
Loss and loss adjustment expense reserves			
1 January 2021	153,780	(19,854)	133,926
Increase during the period	146,018	(10,027)	135,991
Decrease during the period	(135,412)	10,694	(124,718)
30 June 2021	164,386	(19,187)	145,199
Total	365,071	(38,470)	326,601



## 26. INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2020 (Audited)		Net amount
	Gross amount	Reinsurers' share	
Unearned premium reserves			
1 January 2020	158,513	(11,582)	146,931
Increase during the period	352,771	(53,007)	299,764
Decrease during the period	(352,191)	51,276	(300,915)
31 December 2020	159,093	(13,313)	145,780
Loss and loss adjustment expense reserves			
1 January 2020	146,627	(18,739)	127,888
Increase during the period	284,853	(24,590)	260,263
Decrease during the period	(277,700)	23,475	(254,225)
31 December 2020	153,780	(19,854)	133,926
Total	312,873	(33,167)	279,706

## 27. BONDS PAYABLE

Bonds payable comprised two capital supplementary bonds.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Carrying amount repayable in More than five years	23,349	23,297

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 2021 (Unaudited)	31 December 2020 (Audited)
Premiums received in advance (i)	14,500	17,756
Salaries and staff welfare payables	13,968	11,848
Commission payable	9,289	7,236
Dividend payable	8,342	–
Other taxes payable	6,991	7,893
Premium payable (ii)	5,080	5,275
Claims payable	2,141	4,496
Insurance deposit received	982	1,239
Interest payable	419	318
Accrued capital expenditure	200	414
Amounts due to fellow subsidiaries under PICC Group (note 33(b))	148	139
Payables to interest holders of consolidated structured entities	41	69
Others	6,202	8,778
<b>Total</b>	<b>68,303</b>	<b>65,461</b>

- (i) Premiums received in advance represent amounts collected from policies not yet effective at 30 June 2021 and 31 December 2020, 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 funds received on behalf of co-insurers arising from co-insurance business.

## 29. ISSUED CAPITAL

	30 June 2021 (Unaudited)	31 December 2020 (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
<b>Total</b>	<b>22,242</b>	<b>22,242</b>

## 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.

### 30. RISK MANAGEMENT (continued)

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

There have been no significant changes in the Group's risk management processes since 31 December 2020 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 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	4,883	3,582	4,883	3,582
– Debt securities	12,318	11,199	12,318	11,199
Available-for-sale financial assets				
– Equity securities and mutual funds	110,982	107,152	110,982	107,152
– Debt securities	119,889	108,516	119,889	108,516
Held-to-maturity financial assets				
– Debt securities	42,804	48,796	45,230	50,971
Loans and receivables				
– Cash and cash equivalents	27,798	26,192	27,798	26,192
– Term deposits	71,850	70,943	71,850	70,943
– Investments classified as loans and receivables	63,913	67,944	67,548	72,378
– Insurance receivables, net	94,841	50,103	94,841	50,103
– Other financial assets	20,602	17,942	20,602	17,942
<b>Total financial assets</b>	<b>569,880</b>	<b>512,369</b>	<b>575,941</b>	<b>518,978</b>
<b>Financial liabilities</b>				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	30,515	21,818	30,515	21,818
– Accrued insurance security fund	1,039	837	1,039	837
– Securities sold under agreements to repurchase	21,500	29,028	21,500	29,028
– Policyholders' deposits	1,751	1,750	1,751	1,750
– Bonds payable	23,349	23,297	22,832	23,032
– Other financial liabilities	32,826	27,952	32,826	27,952
<b>Total financial liabilities</b>	<b>110,980</b>	<b>104,682</b>	<b>110,463</b>	<b>104,417</b>

## 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 interim condensed consolidated financial information.

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 2021 (Unaudited)	31 December 2020 (Audited)		
Debt securities at fair value through profit or loss	2,235	2,648	Level 1	Quoted bid prices in an active market.
Debt securities at fair value through profit or loss	10,083	8,551	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale debt securities	10,760	9,920	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	109,129	98,596	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Equity securities and mutual funds At fair value through profit or loss	2,604	3,582	Level 1	Quoted bid prices in an active market.

### 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 2021 (Unaudited)	31 December 2020 (Audited)		
Equity securities and mutual funds at fair value through profit or loss	2,279	–	Level 2	Quoted bid prices for identical or comparable assets in an inactive market or obtained from third party pricing services or recent quoted market prices.
Available-for-sale equity securities and mutual funds	54,219	72,866	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	30,316	21,083	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale equity securities and mutual funds	8,196	8,664	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 or latest financing price.
Available-for-sale equity securities and mutual funds	4,110	2,776	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 or latest financing price.
Available-for-sale equity securities and mutual funds	14,141	1,763	Level 3	Fair value of the investments is based on the use of respective 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)

	At 30 June 2021 (Unaudited)			
	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	2,604	2,279	–	4,883
– Debt securities	2,235	10,083	–	12,318
Available-for-sale financial assets				
– Equity securities and mutual funds	54,219	30,316	26,447	110,982
– Debt securities	10,760	109,129	–	119,889
<b>Total</b>	<b>69,818</b>	<b>151,807</b>	<b>26,447</b>	<b>248,072</b>

	At 31 December 2020 (Audited)			
	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	3,582	–	–	3,582
– Debt securities	2,648	8,551	–	11,199
Available-for-sale financial assets				
– Equity securities and mutual funds	72,886	21,083	13,203	107,152
– Debt securities	9,920	98,596	–	108,516
<b>Total</b>	<b>89,016</b>	<b>128,230</b>	<b>13,203</b>	<b>230,449</b>

For the six months ended 30 June 2021, available-for-sale debt securities with carrying amount of RMB5,345 million (for the six months ended 30 June 2020: RMB3,835 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 RMB5,705 million (for the six months ended 30 June 2020: RMB4,863 million) were transferred from Level 2 to Level 1 because quoted prices in active markets became available.

### 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 at 30 June 2021 and 31 December 2020 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

	At 30 June 2021 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets				
– Held-to-maturity financial assets	788	44,442	–	45,230
– Investments classified as loans and receivables	–	–	67,548	67,548
Financial liabilities				
– Bonds payable	–	22,832	–	22,832

	At 31 December 2020 (Audited)			Total
	Level 1	Level 2	Level 3	
Financial assets				
– Held-to-maturity financial assets	651	50,320	–	50,971
– Investments classified as loans and receivables	–	–	72,378	72,378
Financial liabilities				
– Bonds payable	–	23,032	–	23,032

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	
	2021 (Unaudited)	2020 (Unaudited)
At 1 January	13,203	12,425
Addition	12,472	707
Transfer out	(40)	(404)
Losses recognised in profit or loss	(34)	(1,996)
Unrealised gains recognized in other comprehensive income	846	748
At 30 June	26,447	11,480

There were no transfers into Level 3 for the six months ended 30 June 2021 and 2020.

## 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 some losses arising therefrom will be partly indemnified by reinsurers or other recoveries including salvages and subrogation. For the six months ended 30 June 2021, the Group was involved in similar legal proceedings on certain insurance business. The legal claim amount for certain cases are significant and the legal proceedings are still in progress. 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 at 30 June 2021 and 31 December 2020 or operating results of the Group for the six months ended 30 June 2021 and 2020.



## 32. CONTINGENCIES AND COMMITMENTS *(continued)*

### (2) Capital commitments and leases

#### (a) Capital commitments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Property and equipment commitments contracted, but not provided for	2,860	1,196
authorised, but not contracted	503	803
Investment commitments contracted, but not provided for	3,209	3,488
<b>Total</b>	<b>6,572</b>	<b>5,487</b>

#### (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.

At 30 June 2021 and 31 December 2020, the undiscounted lease payments to be received under leases are as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within one year, inclusive 1 year	166	149
One to two years, inclusive 2 years	110	106
Two to three years, inclusive 3 years	71	75
Three to four years, inclusive 4 years	44	43
Four to five years, inclusive 5 years	28	25
After five years	65	45
<b>Total</b>	<b>484</b>	<b>443</b>

### 33. RELATED PARTY TRANSACTIONS

#### (a) Material transactions with related parties

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions with PICC Group:		
2020 final dividend distribution	5,754	–
2019 final dividend distribution	–	7,073
Addition to right-of-use assets	–	158
Addition to lease liabilities	–	158
Payment of lease liabilities	42	2
Interest on lease liabilities	1	11
WAN service fees	4	–
Transactions with fellow subsidiaries under PICC Group:		
Management fee	179	159
Service fee	33	28
Subscription amount of financial products set up and managed by fellow subsidiaries under PICC Group	400	3,861
Premiums ceded	437	370
Reinsurance commission income	139	116
Paid losses recoverable from reinsurers	160	116
Brokerage commission expense	70	29
Capital payment receivable	300	–
Rental income	6	5
Addition to right-of-use assets	16	3
Addition to lease liabilities	16	3
Payment of lease liabilities	45	50
Interest on lease liabilities	–	6

### 33. RELATED PARTY TRANSACTIONS *(continued)*

#### (a) Material transactions with related parties *(continued)*

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions with associates of the Company:		
Gross written premiums	10	5
Gross claims paid	4	1
Premiums ceded	2,518	2,117
Reinsurance commission income	871	713
Paid losses recoverable from reinsurers	1,153	1,051
Premiums paid	1	7
Agency services commission income	94	63
Agency services commission expense	249	296
Interest income	–	1
Dividend received	9	638
Rental income	11	10
Addition to right-of-use assets	1	–
Payment of lease liabilities	–	4
Interest on lease liabilities	–	1
Transactions with associates of PICC Group:		
Interest income	505	608
Dividend income	1,020	971
Gross written premiums	54	–
Gross claim paid	33	–
Transactions with joint ventures of the Company:		
Purchase of spare parts	260	201
Service fee	37	12

### 33. RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Outstanding balances with related parties

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and cash equivalents:		
An associate	30	7
An associate of PICC Group	14	1,818
Term deposits:		
An associate	10	10
An associate of PICC Group	19,029	20,050
Debt securities:		
An associate of PICC Group	760	2,447
Equity securities:		
An associate of PICC Group	26,721	26,390
Receivables from reinsurers:		
A fellow subsidiary under PICC Group (note 16)	452	177
An associate (note 16)	1,038	1,320
Dividend receivable:		
An associate of PICC Group (note 24)	155	–
Due from related parties:		
PICC Group (note 24)	170	50
Fellow subsidiaries under PICC Group (note 24)	322	320
Associates (note 24)	18	4
An associate of PICC Group	–	333
Payables to reinsurers:		
A fellow subsidiary under PICC Group (note 25)	653	243
An associate (note 25)	2,620	2,088
Dividend payable:		
PICC Group	5,754	–
Due to related parties:		
PICC Group	4	–
Fellow subsidiaries under PICC Group (note 28)	148	139
An associate of PICC Group	1	–
Lease liabilities:		
PICC Group	41	81
A fellow subsidiary under PICC Group	16	79
An associate	19	20

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 under PICC Group”.

The balances with PICC Group, fellow subsidiaries under PICC Group, 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 for the six months ended 30 June 2021 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 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.

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 ventures in the interim condensed consolidated financial information.

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 at 30 June 2021 and 31 December 2020 and fair value changes for the six months ended 30 June 2021 and 2020:

	Fair value at	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Held for trading financial assets (A)	17,201	14,782
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)	200,733	200,931
– Financial assets with contractual terms that do not meet SPPI terms (D)	142,916	138,085
<b>Total</b>	<b>360,850</b>	<b>353,798</b>

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

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

#### (i) Fair value of financial assets (continued)

The table below presents the fair value of the following groups of financial assets (Note) under HKFRS 9 at 30 June 2021 and 31 December 2020 and fair value changes for the six months ended 30 June 2021 and 2020:  
(continued)

	Fair value changes for the six months ended	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Held for trading financial assets (A)	88	9
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)	(1,210)	1,323
– Financial assets with contractual terms that do not meet SPPI terms (D)	(1,214)	(2,660)
<b>Total</b>	<b>(2,336)</b>	<b>(1,328)</b>

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)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows (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 2021 (Unaudited)	31 December 2020 (Audited)
AAA	160,959	145,716
AA+	156	1,179
AA	–	1,328
A-1	102	100
Not rated*	34,164	46,486
<b>Total</b>	<b>195,381</b>	<b>194,809</b>

\* Included in the not rated category, there is an aggregate carrying amount of RMB34,164 million (31 December 2020: RMB45,492 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets: nil (31 December 2020: RMB994 million) without any credit rating do not have low credit risk.

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 2021 (Unaudited)	31 December 2020 (Audited)
Aaa	173	152
Aa1	3	14
Aa2	13	7
Aa3	9	28
A1	199	10
A2	16	23
A3	16	58
Baa1	69	43
Baa2	41	22
Baa3	23	9
P-1	20	–
Not rated	33	–
<b>Total</b>	<b>615</b>	<b>366</b>



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

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

#### (ii) Credit risk exposure (continued)

	Carrying amount		Fair value	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Financial assets that do not have: low credit risk (those that meet SPPI criterion (included in C above) (Note 2)	291	3,601	291	3,973

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. EVENTS AFTER THE REPORTING PERIOD

On July 20, 2021, multiple places in Henan Province were hit by heavy rainfall, which caused major casualties and property losses. Since the occurrence of the disaster, the Group has launched disaster emergency plan immediately and has been mobilizing all levels of resources for rescue and claims. The Group will keep continuous attention on the development of subsequent reported cases and paid claims of Henan disaster, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

# 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
“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

property.picc.com

## SECRETARY OF THE BOARD OF DIRECTORS

Zou Zhihong

## COMPANY SECRETARY

Ko Mei Ying

## INVESTOR RELATIONS CONTACT

Tel: (8610) 85176084  
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## REGISTERED OFFICE

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## AUDITORS

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Certified Public Accountants and  
Registered Public Interest Entity Auditor

*Domestic Auditor*  
PricewaterhouseCoopers Zhong Tian LLP