中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328

Interim Report 2014

Corporate Information

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

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Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB million Unaudited	Six months ended 30 June 2013 RMB million Unaudited
TURNOVER	4	132,118	115,636
Net premiums earned	4	99,646	87,466
Net claims incurred	5	(62,211)	(53,777)
Policy acquisition costs		(19,833)	(17,477)
Other underwriting expenses		(8,495)	(7,209)
Administrative expenses		(3,520)	(3,373)
UNDERWRITING PROFIT		5,587	5,630
Investment income	6	5,902	4,861
Net realised and unrealised (losses)/gains on investments	7	(448)	227
Investment related expenses		(105)	(93)
Exchange gains/(losses), net		63	(11)
Sundry income		133	87
Sundry expenses		(64)	(64)
Finance costs	8	(921)	(974)
Share of profits of associates		121	92
PROFIT BEFORE TAX	9	10,268	9,755
Income tax expense	10	(2,478)	(2,126)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		7,790	7,629
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	12	0.573	0.587

For the six months ended 30 June 2014

	Six months ended 30 June 2014 *RMB million* Unaudited	Six months ended 30 June 2013 *RMB million* Unaudited
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	7,790	7,629
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be subsequently reclassified to profit or loss:		
Available-for-sale financial assets		
– Fair value gains/(losses)	1,139	(1,066)
– Reclassification of losses/(gains) to profit or loss on disposals	67	(735)
– Impairment losses	495	609
– Income tax effect	(425)	298
Share of other comprehensive income/(expense) of associates	141	(83)
Subtotal	1,417	(977)
Net gains/(losses) on cash flow hedges	21	(14)
Income tax effect	(5)	3
Subtotal	16	(11)
	1,433	(988)
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	180	92
Income tax effect	(45)	(23)
Share of other comprehensive income of associates	–	1
Subtotal	135	70
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	1,568	(918)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	9,358	6,711

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30 June 2014 RMB million Unaudited	31 December 2013 RMB million Audited
ASSETS			
Cash and cash equivalents	13	21,284	16,272
Term deposits	14	79,066	63,485
Derivative financial assets		19	–
Debt securities	15	107,524	105,682
Equity securities	16	31,885	28,964
Insurance receivables, net	17	38,027	24,870
Tax recoverable		–	73
Reinsurance assets	18	28,482	26,431
Loans and receivables	19	13,650	12,910
Prepayments and other assets		14,352	13,422
Investments in associates		4,205	3,973
Investment properties	20	4,672	4,591
Property, plant and equipment	21	13,600	14,023
Prepaid land premiums		3,510	3,531
Deferred tax assets		1,015	1,197
TOTAL ASSETS		361,291	319,424
LIABILITIES			
Derivative financial liabilities		–	2
Payables to reinsurers	22	22,241	17,455
Accrued insurance protection fund		681	698
Tax payable		677	–
Securities sold under agreements to repurchase		21,683	18,015
Other liabilities and accruals		28,665	25,749
Insurance contract liabilities	18	202,075	178,486
Policyholders' deposits		1,793	1,953
Subordinated debts		19,621	19,562
TOTAL LIABILITIES		297,436	261,920
EQUITY			
Issued capital	23	13,604	13,604
Reserves		50,246	43,895
Equity attributable to owners of the parent		63,850	57,499
Non-controlling interests		5	5
TOTAL EQUITY		63,855	57,504
TOTAL EQUITY AND LIABILITIES		361,291	319,424

For the six months ended 30 June 2014

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

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

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

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

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

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

For the six months ended 30 June 2014

Six month ended 30 June 2013 (Unaudited)	Issued capital RMB million	Share premium account RMB million	Asset revaluation reserve** RMB million	Available-for-sale investment revaluation reserve RMB million	Cash flow hedging reserve RMB million	Surplus reserve*** RMB million	General risk reserve RMB million	Retained profits RMB million	Total RMB million
	Attributable to owners of the parent								
Balance at 1 January 2013	12,256	8,584	2,077	(2,202)	22	12,285	2,886	9,542	45,450
Profit for the period	–	–	–	–	–	–	–	7,629	7,629
Other comprehensive income/(expense)	–	–	69	(976)	(11)	–	–	–	(918)
Total comprehensive income/(expense)	–	–	69	(976)	(11)	–	–	7,629	6,711
Appropriations to discretionary surplus reserve****	–	–	–	–	–	5,741	–	(5,741)	–
Rights issue*****	1,348	4,439	–	–	–	–	–	–	5,787
Share issue expenses*****	–	(33)	–	–	–	–	–	–	(33)
Balance at 30 June 2013	13,604	12,990*	2,146*	(3,178)*	11*	18,026*	2,886*	11,430*	57,915

* The consolidated reserves of RMB44,311 million in the condensed consolidated statement of financial position 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 29 June 2013, the shareholders of the Company at a general meeting approved that 55% of the profit attributable to owners of the parent for 2012, after the appropriations to the statutory surplus reserve and the general risk reserve, be appropriated to the discretionary surplus reserve.

***** On 16 January 2013, the Board of Directors of the Company approved the rights issue proposal. The Company completed the rights issue of 418 million H shares at an issue price of HK$5.38 per H rights share and 930 million domestic shares at an issue price of RMB4.30 per domestic share on the basis of 1.1 rights shares for every 10 existing H shares and domestic shares held by members registered on 30 May 2013, respectively. The Company raised total proceeds of RMB5,787 million, of which an amount of RMB1,348 million was recorded in issued capital and RMB4,406 million was recorded in the share premium account after a deduction of the share issue expenses of RMB33 million.

For the six months ended 30 June 2014

	Six months ended 30 June 2014 *RMB million* Unaudited	Six months ended 30 June 2013 *RMB million* Unaudited
Net cash inflow from operating activities	17,491	11,535
Net cash outflow from investing activities	(15,042)	(3,547)
Net cash inflow from financing activities	2,563	7,118
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,012	15,106
Cash and cash equivalents at beginning of the period	16,272	12,890
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,284	27,996

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with *Hong Kong Accounting Standard 34* ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

(b) Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured based on actuarial methods. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Change in presentation of financial statements

For the purpose of providing more relevant information in these condensed consolidated financial statements, the Company has made revisions to the items in the condensed consolidated income statement. The revised items and their accounting content are as follows:

In the annual financial statements for the year ended 31 December 2013, there was a line of "General and administrative expenses" and was separated into "Other underwriting expenses" and "Administrative expenses" line items during the current interim period.

Policy acquisition costs represent those costs that are incremental and directly related to the acquisition of new or renewal of existing insurance contracts. Such costs generally include commission expenses, underwriting staff related expenses, business tax and surcharges, insurance protection fund and other incremental costs.

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

(b) Significant accounting policies *(continued)*

Change in presentation of financial statements *(continued)*

Other underwriting expenses represent non-incremental costs that were related to underwriting activities but not included in the policy acquisition costs.

Administrative expenses represent other costs that were related to managing and organising business activities.

Except for the change in presentation of financial statements described above and the adoption of new interpretation and amendments to standard effective on 1 January 2014, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs that are relevant to the Group:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

HKAS 32 Amendments – Offsetting Financial Assets and Financial Liabilities

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are simultaneous. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

HKAS 36 Amendments – Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

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

(b) Significant accounting policies *(continued)*

HKAS 39 Amendments – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness. The amendments did not have significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has eight operating and reportable segments as follows:

(a) the motor vehicle segment provides insurance products covering motor vehicles;

(b) the commercial property segment provides insurance products covering commercial properties;

(c) the cargo segment provides insurance products covering vessels, crafts or conveyances;

(d) the liability segment provides insurance products covering policyholders' liabilities;

(e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;

(f) the agriculture segment provides insurance products covering agriculture business;

(g) the others segment mainly represents insurance products related to homeowners, special risks, marine hull, construction and credit; and

(h) the corporate segment includes the income and expenses from investment activities, share of profits of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

During the current interim period, the Group has identified the business unit of agriculture as a separate operating segment. The comparative segment information has been restated to conform with the current presentation.

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2014 and 2013 are as follows:

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2013 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Segment turnover	79,317	8,030	2,081	4,586	5,302	10,865	5,455	–	115,636
Net premiums earned	69,416	4,152	1,292	3,030	2,966	4,490	2,120	–	87,466
Net claims incurred	(44,804)	(1,922)	(434)	(1,577)	(2,004)	(2,085)	(951)	–	(53,777)
Policy acquisition costs	(15,202)	(1,048)	(228)	(698)	(357)	210	(154)	–	(17,477)
Other underwriting expenses	(5,214)	(281)	(90)	(227)	(253)	(920)	(224)	–	(7,209)
Administrative expenses	(2,396)	(176)	(4)	(157)	(196)	(214)	(230)	–	(3,373)
Underwriting profit	1,800	725	536	371	156	1,481	561	–	5,630
Investment income	–	–	–	–	–	–	–	4,861	4,861
Net realised and unrealised gains on investments	–	–	–	–	–	–	–	227	227
Investment related expenses	–	–	–	–	–	–	–	(93)	(93)
Exchange losses, net	–	–	–	–	–	–	–	(11)	(11)
Finance costs	–	–	–	–	–	–	–	(974)	(974)
Sundry income and expenses, net	–	–	–	–	–	–	–	23	23
Share of profits of associates	–	–	–	–	–	–	–	92	92
Profit before tax	1,800	725	536	371	156	1,481	561	4,125	9,755
Income tax expense	–	–	–	–	–	–	–	(2,126)	(2,126)
Profit attributable to owners of the parent	1,800	725	536	371	156	1,481	561	1,999	7,629

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2014 and 31 December 2013 are as follows:

30 June 2014 (Unaudited)	Insurance: Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	Corporate RMB million	Total RMB million
Segment assets	18,674	12,291	1,999	4,646	6,984	11,887	13,567	291,243	361,291
Segment liabilities	154,173	18,642	3,579	12,069	11,962	17,367	18,604	61,040	297,436

31 December 2013 (Audited)	Insurance: Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	Corporate RMB million	Total RMB million
Segment assets	19,988	11,145	1,601	3,483	3,344	4,813	10,414	264,636	319,424
Segment liabilities	145,475	16,229	3,142	10,452	7,349	10,106	16,651	52,516	261,920

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, in which insurance business income and expense (for segments (a) to (g)) is a measure of underwriting profit and corporate business income and expense (for segment (h)), primarily investment related income and expense, is a measure of profit attributable to owners of the parent. Income tax expense is not further allocated but assigned to corporate business segment.

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Six months ended 30 June 2014 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2013 *RMB million* (Unaudited)
Turnover		
Direct premiums written	**131,836**	115,341
Reinsurance premiums assumed	**282**	295
	132,118	115,636
Net premiums earned		
Turnover	**132,118**	115,636
Less: Reinsurance premiums ceded	**(16,861)**	(13,117)
Net premiums written	**115,257**	102,519
Less: Change in net unearned premium reserves	**(15,611)**	(15,053)
Net premiums earned	**99,646**	87,466

5. NET CLAIMS INCURRED

	Six months ended 30 June 2014 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2013 *RMB million* (Unaudited)
Gross claims paid	**64,393**	57,045
Less: Paid losses recoverable from reinsurers	**(8,109)**	(7,386)
Net claims paid	**56,284**	49,659
Change in net loss and loss adjustment expense reserves	**5,927**	4,118
Net claims incurred	**62,211**	53,777

6. INVESTMENT INCOME

	Six months ended 30 June 2014 *RMB million* (Unaudited)	Six months ended 30 June 2013 *RMB million* (Unaudited)
Rental income from investment properties	107	96
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	31	13
Dividend income	40	61
– Designated upon initial recognition		
Interest income	–	8
Available-for-sale financial assets:		
Interest income	1,431	1,218
Dividend income	647	605
Held-to-maturity investments:		
Interest income	1,015	950
Loans and receivables:		
Interest income	2,631	1,910
	5,902	4,861

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

	Six months ended 30 June 2014 *RMB million* (Unaudited)	Six months ended 30 June 2013 *RMB million* (Unaudited)
Available-for-sale financial assets:		
Realised (losses)/gains	(67)	735
Impairment losses	(495)	(609)
Financial assets at fair value through profit or loss:		
Realised gains	13	6
Unrealised gains/(losses)	80	(6)
Fair value gains on investment properties	21	101
	(448)	227

8. FINANCE COSTS

	Six months ended 30 June 2014 *RMB million* (Unaudited)	Six months ended 30 June 2013 *RMB million* (Unaudited)
Interest on subordinated debts		
– wholly repayable within five years	74	77
– not wholly repayable within five years	450	458
	524	535
Interest on securities sold under agreements to repurchase	371	439
Other finance costs	26	–
	921	974

9. PROFIT BEFORE TAX

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

	Six months ended 30 June 2014 *RMB million* (Unaudited)	Six months ended 30 June 2013 *RMB million* (Unaudited)
Employee expenses	12,046	10,126
Depreciation of property, plant and equipment	888	873
Amortisation of prepaid land premiums	66	64
Impairment loss on insurance receivables	102	175
Minimum lease payments under operating leases in respect of land and buildings	341	318

10. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2013: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2014 *RMB million* **(Unaudited)**	Six months ended 30 June 2013 *RMB million* (Unaudited)
Current		
– Charge for the period	**2,772**	2,053
– Adjustment in respect of current tax of previous periods	**–**	(1)
Deferred	**(294)**	74
Total tax charge for the period	**2,478**	2,126

11. DIVIDEND

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

No interim dividend was declared in respect of the interim period for the six months ended 30 June 2014.

On 26 August 2013, the Board of Directors of the Company approved the interim dividend of RMB0.243 per ordinary share for the six months ended 30 June 2013. Interim dividend of RMB3,306 million was paid in November 2013.

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

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

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	**7,790**	7,629
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	**13,604**	12,991
Basic earnings per share (RMB)	**0.573**	0.587

12. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT *(continued)*

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.

The weighted average number of ordinary shares in issue for six months ended 30 June 2013 were adjusted to reflect the effect of the rights issue in 2013.

Diluted earnings per share amounts for the six months ended 30 June 2014 and 2013 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2014 ***RMB million*** **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Demand deposits	**18,101**	12,854
Securities purchased under resale agreements with original maturity of less than three months	**1,014**	2,858
Deposits with banks with original maturity of less than three months	**2,169**	560
	21,284	16,272

14. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2014 ***RMB million*** **(Unaudited)**	31 December 2013 *RMB million* (Audited)
More than 3 months to 1 year	**1,268**	1,136
2 to 3 years	**1,781**	1,781
More than 3 years	**76,017**	60,568
	79,066	63,485

15. DEBT SECURITIES

	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)
Listed debt securities, at fair value:		
Debt securities issued by governments	3,292	4,604
Debt securities issued by corporate entities	14,523	13,947
	17,815	18,551
Unlisted debt securities, at fair value:		
Debt securities issued by governments	6,622	8,737
Debt securities issued by banks and other financial institutions	18,807	19,041
Debt securities issued by corporate entities	24,264	19,447
	49,693	47,225
Listed debt securities, at amortised cost:		
Debt securities issued by banks and other financial institutions	760	–
Debt securities issued by corporate entities	1,880	2,640
	2,640	2,640
Unlisted debt securities, at amortised cost:		
Debt securities issued by government	3,026	3,025
Debt securities issued by banks and other financial institutions	27,566	27,666
Debt securities issued by corporate entities	6,784	6,575
	37,376	37,266
	107,524	105,682
Classification of debt securities:		
Fair value through profit or loss-held for trading	2,086	1,137
Available-for-sale	65,422	64,639
Held-to-maturity	40,016	39,906
	107,524	105,682
Listed investments		
Hong Kong	–	164
Elsewhere	20,455	20,862
Unlisted investments	87,069	84,656
	107,524	105,682

16. EQUITY SECURITIES

	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)
Listed investments, at fair value:		
Mutual funds	296	242
Shares	14,867	16,484
	15,163	16,726
Unlisted investments, at fair value:		
Mutual funds	15,520	11,036
Unlisted investments, at cost:		
Shares	1,202	1,202
	31,885	28,964
Classification of equity securities:		
Fair value through profit or loss-held for trading	4,908	1,749
Available-for-sale	26,977	27,215
	31,885	28,964
Listed investments		
Hong Kong	437	417
Elsewhere	14,726	16,309
Unlisted investments	16,722	12,238
	31,885	28,964

Unlisted equity investments with a carrying amount of RMB1,202 million as at 30 June 2014 (31 December 2013: RMB1,202 million) were carried at cost less impairment, as their fair values cannot be measured reliably.

There was a significant or prolonged decline in the market value of certain equity investments during the period. The Company considers that such a decline indicates that the equity investments have been impaired and an impairment loss of RMB495 million (six months ended 30 June 2013: RMB609 million), which represented a reclassification from other comprehensive income of RMB495 million (six months ended 30 June 2013: RMB609 million), has been recognised in the condensed consolidated income statement for the period.

17. INSURANCE RECEIVABLES, NET

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Premiums receivable and agents' balances	19,974	6,752
Receivables from reinsurers	20,453	20,431
	40,427	27,183
Less: Impairment provision on		
Premiums receivable and agents' balances	(2,209)	(2,123)
Receivables from reinsurers	(191)	(190)
	38,027	24,870

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Not yet due	16,359	18,981
Within 1 month	5,786	1,284
1 to 3 months	7,641	2,740
Over 3 months	8,241	1,865
	38,027	24,870

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB404 million (31 December 2013: RMB272 million). Please refer to Note 29(c) for details.

18. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Gross amount RMB million	Reinsurers' share RMB million	Net amount RMB million	Gross amount RMB million	Reinsurers' share RMB million	Net amount RMB million
Unearned premium reserves	103,148	(12,080)	91,068	86,595	(11,138)	75,457
Loss and loss adjustment expense reserves	98,927	(16,402)	82,525	91,891	(15,293)	76,598
	202,075	(28,482)	173,593	178,486	(26,431)	152,055

19. LOANS AND RECEIVABLES

	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)
Debt investment schemes	12,530	11,850
Asset-backed securities	720	–
Subordinated debts held	300	960
Trust plan	100	100
	13,650	12,910

20. INVESTMENT PROPERTIES

	Six months ended 30 June 2014 *RMB million* (Unaudited)	Six months ended 30 June 2013 *RMB million* (Unaudited)
At 1 January	4,591	4,538
Transfers from property, plant and equipment and prepaid land premiums	93	44
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	180	92
Increase in fair value of investment properties during the period	21	101
Transfers to property, plant and equipment and prepaid land premiums	(213)	(303)
At 30 June	4,672	4,472

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

(i) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or

(ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The independent valuer usually determines the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to his professional judgement.

As at 30 June 2014 and 31 December 2013, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group.

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

21. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB294 million (six months ended 30 June 2013: RMB256 million).

Assets with a net book value of RMB20 million were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB10 million), resulting in a net disposal gain of RMB7 million (six months ended 30 June 2013: net disposal gain of RMB16 million).

During the six months ended 30 June 2014, construction in progress with an aggregate amount of RMB9 million (six months ended 30 June 2013: RMB2 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2014, property, plant and equipment with a carrying amount of RMB55 million (six months ended 30 June 2013: RMB30 million) was transferred to investment properties.

22. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2014 ***RMB million*** **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Reinsurance payables	**22,241**	17,455

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB480 million (31 December 2013: RMB262 million). Please refer to Note 29(c) for details.

23. ISSUED CAPITAL

	30 June 2014 ***RMB million*** **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Shares		
Issued and fully paid:		
Domestic shares of RMB1.00 each	**9,384**	9,384
H shares of RMB1.00 each	**4,220**	4,220
	13,604	13,604

24. FAIR VALUE AND FAIR VALUE HIERARCHY

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purpose, 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 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 and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value approximate their fair values as at 30 June 2014 and 31 December 2013 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	As at 30 June 2014 (Unaudited)	
(in RMB million)	**Carrying amounts**	**Fair value**
Financial assets		
Held-to-maturity investments	**40,016**	**38,548**
Loans and receivables	**13,650**	**14,147**
Financial liabilities		
Subordinated debts	**19,621**	**20,250**

	As at 31 December 2013 (Audited)	
(in RMB million)	Carrying amounts	Fair value
Financial assets		
Held-to-maturity investments	39,906	36,004
Loans and receivables	12,910	12,786
Financial liabilities		
Subordinated debts	19,562	19,294

24. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

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

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

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)		
Financial assets held for trading:				
– Debt securities traded on interbank market	2,086	1,137	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds listed on stock exchanges and unlisted funds (open-ended mutual funds)	4,908	1,749	Level 1	Quoted bid prices in an active market.
Available-for-sale investments:				
– Debt securities traded on stock exchanges	17,815	18,551	Level 1	Quoted bid prices in an active market.
– Debt securities traded on interbank market	47,607	46,088	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds listed on stock exchanges and unlisted funds (open-ended mutual funds)	17,726	17,461	Level 1	Quoted bid prices in an active market.
– Equity securities traded on stock exchanges with a lock-up period	8,049	8,552	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
Derivative financial assets				
– Interest rate swaps	19	–	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities				
– Interest rate swaps	–	(2)	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

24. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

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

As at 30 June 2014 (Unaudited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets held for trading:				
– Equity securities	4,908	–	–	4,908
– Debt securities	–	2,086	–	2,086
Derivative financial assets:				
– Interest rate swaps	–	19	–	19
Available-for-sale investments:				
– Equity securities	17,726	–	8,049	25,775
– Debt securities	17,815	47,607	–	65,422
	40,449	49,712	8,049	98,210

As at 31 December 2013 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets held for trading:				
– Equity securities	1,749	–	–	1,749
– Debt securities	–	1,137	–	1,137
Available-for-sale investments:				
– Equity securities	17,461	–	8,552	26,013
– Debt securities	18,551	46,088	–	64,639
	37,761	47,225	8,552	93,538
Derivative financial liabilities:				
– Interest rate swaps	–	2	–	2

24. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

(c) Reconciliation of Level 3 fair value measurements

Available-for-sale equity securities	**Six months ended 30 June 2014** *RMB million* **(Unaudited)**	Six months ended 30 June 2013 *RMB million* (Unaudited)
1 January	**8,552**	8,312
Total losses:		
– in other comprehensive income	**(503)**	–
30 June	**8,049**	8,312

The investment in Industrial Bank Co., Ltd. ("IBC") shares classified as available-for-sale equity securities is subject to a lock-up period of 36 months from 31 December 2012. To determine the fair value of IBC shares, the Group used quoted price of the shares taking into account of non-marketability discount estimated using Black-Scholes option pricing model. The Group used the historical volatility of share prices as the significant unobservable input in the fair value measurement of the non-marketability discount. An increase or decrease in historical volatility of shares would have a significant decrease or increase on the fair value measurement of non-marketability discount and the recorded fair value. Therefore, the above available-for-sale equity securities in respect of IBC were classified as Level 3 fair value hierarchy.

The historical volatility used in measuring the fair value of shares of IBC as at 30 June 2014 is 30.68% (31 December 2013: 30.02%). If this input was made higher/lower by 5% while all the other variables were held constant, the carrying amount of the shares as at 30 June 2014 would be lower/higher by approximately RMB64 million (31 December 2013: RMB73 million).

There were no transfers into or out of Level 3 for the six months ended 30 June 2014 and 2013.

25. MATURITY PROFILE

A remaining contractual maturity analysis of the financial assets and liabilities of the Group based on undiscounted contractual cash flows is presented below:

30 June 2014 (Unaudited)	On demand/ Past due *RMB million*	Within 3 months *RMB million*	3 to 12 months *RMB million*	1 to 5 years *RMB million*	More than 5 years *RMB million*	No maturity date *RMB million*	Total *RMB million*
Assets:							
Cash and cash equivalents	18,101	3,437	–	–	–	–	21,538
Term deposits	–	–	3,189	84,303	3,670	–	91,162
Derivative financial assets	–	1	11	4	–	–	16
Debt securities	–	4,137	7,242	44,897	99,603	–	155,879
Equity securities	–	–	–	–	–	31,885	31,885
Insurance receivables, net	21,277	8,564	6,770	1,314	102	–	38,027
Capital security fund	–	–	–	3,157	–	–	3,157
Loans and receivables	–	150	697	9,972	7,423	–	18,242
Other financial assets	2,616	2,511	3,020	2,057	–	–	10,204
Liabilities:							
Securities sold under agreements to repurchase	–	21,701	–	–	–	–	21,701
Payables to reinsurers	9,127	9,568	3,272	253	21	–	22,241
Policyholders' deposits	58	–	–	–	1,735	–	1,793
Subordinated debts	–	215	727	7,585	17,449	–	25,976
Other financial liabilities	1,922	9,893	690	159	69	–	12,733

31 December 2013 (Audited)	On demand/ Past due *RMB million*	Within 3 months *RMB million*	3 to 12 months *RMB million*	1 to 5 years *RMB million*	More than 5 years *RMB million*	No maturity date *RMB million*	Total *RMB million*
Assets:							
Cash and cash equivalents	12,854	4,206	–	–	–	–	17,060
Term deposits	–	–	4,150	65,593	4,011	–	73,754
Debt securities	–	1,001	7,353	48,279	100,312	–	156,945
Equity securities	–	–	–	–	–	28,964	28,964
Insurance receivables, net	5,740	13,970	2,457	2,683	20	–	24,870
Capital security fund	–	–	–	3,230	–	–	3,230
Loans and receivables	–	132	1,775	5,832	9,460	–	17,199
Other financial assets	2,679	2,797	2,376	4,649	–	–	12,501
Liabilities:							
Derivative financial liabilities	–	2	(1)	(4)	–	–	(3)
Securities sold under agreements to repurchase	–	18,028	–	–	–	–	18,028
Payables to reinsurers	4,968	11,858	427	190	12	–	17,455
Policyholders' deposits	212	–	–	–	1,741	–	1,953
Subordinated debts	–	–	582	7,365	18,214	–	26,161
Other financial liabilities	1,055	7,681	580	417	65	–	9,798

26. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2014. The management of the Company believes such litigation matters will not cause significant losses to the Group.

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

27. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (Note 20) under operating lease arrangements, with leases negotiated for terms ranging from two to twenty years (31 December 2013: two to twenty years).

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

	30 June 2014 *RMB million* **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Within one year	**175**	161
In the second to fifth years, inclusive	**227**	249
After five years	**105**	100
	507	510

27. OPERATING LEASE COMMITMENTS *(continued)*

(b) As lessee

The Group leases certain of its land and buildings and motor vehicles under operating lease arrangements. Leases for land and buildings are negotiated for terms ranging from one to twenty years (31 December 2013: one to twenty years), and those for motor vehicles are negotiated for terms ranging from one to three years (31 December 2013: one to three years).

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

	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)
Within one year	163	253
In the second to fifth years, inclusive	617	574
After five years	147	187
	927	1,014

28. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in Note 27 above, the Group had the following capital commitments:

	30 June 2014 *RMB million* (Unaudited)	31 December 2013 *RMB million* (Audited)
Contracted, but not provided for		
Property, plant and equipment	589	366
Authorised, but not contracted for		
Property, plant and equipment	488	525
	1,077	891

29. RELATED PARTY TRANSACTIONS

(a) Material transactions with significant related parties

The following table summarises significant transactions carried out by the Group with its significant related parties.

	Six months ended 30 June 2014 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2013 *RMB million* (Unaudited)
Transaction with PICC Group:		
Rights issue	–	3,999
Rental expense	37	37
WAN service fees	7	–
Transactions with fellow subsidiaries:		
Property rental expenses	52	53
Property rental income	1	1
Management fee	67	66
Premiums ceded	296	193
Reinsurance commission income	128	83
Paid losses recoverable from reinsurers	113	170
Brokerage commission expense	58	49
Agency services commission received	3	3
Agency services commission paid	3	5
Transactions with an associate of the Company:		
Shares subscribed	–	485
Premiums paid	15	22
Agency services commission received	15	9
Agency services commission paid	38	34
Transactions with an associate of PICC Group:		
Interest income	14	1
Dividend income	436	360
Interest expenses	22	7
Premium income	17	84
Claims paid	11	1
Commission expense	3	3

29. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

(c) Outstanding balances with significant related parties

The following table summarises the outstanding balances with significant related parties. The balances are non-interest bearing, unsecured and settled according to respective arrangements between the Company and significant related parties, except for cash and cash equivalents, term deposits and debt securities with an associate of PICC Group and subordinated debts issued to an associate of PICC Group.

	30 June 2014 ***RMB million*** **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Cash and cash equivalents:		
An associate of PICC Group	**103**	100
Term deposits:		
An associate of PICC Group	**600**	600
Debt securities:		
An associate of PICC Group	**2,198**	2,138
Receivables from reinsurers:		
A fellow subsidiary (Note 17)	**404**	272

29. RELATED PARTY TRANSACTIONS *(continued)*

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

	30 June 2014 *RMB million* **(Unaudited)**	31 December 2013 *RMB million* (Audited)
Due from related parties:		
Fellow subsidiaries	**41**	37
An associate of the Company	**12**	–
An associate of PICC Group	**450**	50
Payables to reinsurers:		
Fellow subsidiaries (Note 22)	**480**	262
Due to related parties:		
PICC Group	**2,111**	60
Fellow subsidiaries	**136**	56
An associate of PICC Group	**28**	9
An associate of the Company	**3**	–
Subordinated debts issued to:		
An associate of PICC Group	**885**	882

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

(d) Key management personnel

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

No transactions have been entered with the key management personnel during the six months ended 30 June 2014 other than the emoluments paid to them (being the key management personnel compensation).

30. EVENTS AFTER THE REPORTING PERIOD

On 22 August 2014, the Board of Directors of the Company approved appropriations of RMB779 million, RMB779 million and RMB2,337 million to the statutory surplus reserve, the general risk reserve and the discretionary surplus reserve, respectively, based on 10%, 10% and 30% of the profit after tax of the Company for the six months ended 30 June 2014.

31. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 August 2014.

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 33, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 August 2014

OVERVIEW

In the first half of 2014, the Company took a positive approach to the complex economic situation and market conditions, maintained the strategy of "transformation and upgrading", and, by adhering to the keynotes of "increasingly strengthening reform and innovation, continuously sustaining stable growth and further focusing on value creation", continuously enhanced its operating and management level, increased its customer service capability and tightened its cost control. As a result, the Company witnessed sustainable and relatively rapid business growth, steady promotion of the overall profitability and significant enhancement of its comprehensive strengths.

- **Sustainable and relatively rapid business growth.** In the first half of 2014, the turnover of the Company and its subsidiaries reached RMB132,118 million, representing an increase of 14.3% compared to the same period of last year. In particular, the turnover of the motor vehicle insurance segment amounted to RMB90,775 million, representing an increase of 14.4% compared to the same period of last year, and the turnover of the non-motor vehicle insurance business amounted to RMB41,343 million, representing an increase of 13.8% compared to the same period of last year. Its market share in the PRC property and casualty insurance market is 34.5% *(Note)*, representing an increase of 0.1 percentage point compared to the end of 2013, maintaining its leading position in the industry.

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

- **Steady promotion of the overall profitability.** In the first half of 2014, the Company and its subsidiaries achieved a combined ratio of 94.4%, continuously outperforming the average level in the industry; underwriting profit was RMB5,587 million, representing a decrease of 0.8% compared to the same period of last year; total investment income was RMB5,575 million, representing an increase of 7.6% compared to the same period of last year; net profit was RMB7,790 million, representing an increase of 2.1% compared to the same period of last year; and the annualised return on equity was 25.7%, taking a leading position among the international industry peers.

- **Significant enhancement of the comprehensive strengths.** As at 30 June 2014, the total assets of the Company and its subsidiaries reached RMB361,291 million, representing an increase of 13.1% compared to the end of 2013; the shareholders' equity totaled RMB63,855 million, representing an increase of 11.0% compared to the end of 2013; the total amount of investment assets grew steadily, reaching RMB266,038 million, representing an increase of 11.1% compared to the end of 2013; the net cash inflow from operating activities reached RMB17,491 million, representing an increase of 51.6% compared to the same period of last year; and the solvency margin ratio was 181%, representing an increase of 1.0 percentage point compared to the end of 2013, maintaining the Adequate Solvency II level.

UNDERWRITING RESULTS

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

	Six months ended 30 June			
	2014		2013	
	RMB million	*%*	*RMB million*	*%*
Net premiums earned	99,646	100.0	87,466	100.0
Net claims incurred	(62,211)	(62.4)	(53,777)	(61.5)
Total expenses	(31,848)	(32.0)	(28,059)	(32.1)
Underwriting profit	5,587	5.6	5,630	6.4

TURNOVER

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Motor vehicle insurance	90,775	79,317
Commercial property insurance	8,174	8,030
Liability insurance	5,443	4,586
Accidental injury and health insurance	8,731	5,302
Cargo insurance	2,013	2,081
Agriculture insurance	10,943	10,865
Other insurance	6,039	5,455
Total	132,118	115,636

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

	Six months ended 30 June			
	2014		2013	
	Amount	Percentage	Amount	Percentage
	RMB million	*%*	*RMB million*	*%*
Insurance agents	69,565	52.8	67,978	58.9
Individual insurance agents	40,379	30.6	38,704	33.6
Ancillary insurance agents	19,898	15.1	23,804	20.6
Professional insurance agents	9,288	7.1	5,470	4.7
Direct sales	50,483	38.3	40,165	34.8
Insurance brokers	11,788	8.9	7,198	6.3
Total	131,836	100.0	115,341	100.0

Turnover of the Company and its subsidiaries was RMB132,118 million in the first half of 2014, representing an increase of RMB16,482 million (or 14.3%) from RMB115,636 million in the first half of 2013. The steady growth of its overall business was largely driven by the relatively rapid growth of the motor vehicle insurance, liability insurance, accidental injury and health insurance business.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB90,775 million in the first half of 2014, representing an increase of RMB11,458 million (or 14.4%) from RMB79,317 million in the first half of 2013. The motor vehicle insurance business saw relatively fast growth. One of the reasons was that the number of insurance policies underwritten of motor vehicle insurance increased, contributed by the Company's intensified cooperation with auto manufacturers, adoption of a segmented customer and differentiated marketing strategy, deepening of the value chain management of family car customers, innovation of the cooperation model with group customers, and active expansion in the new auto market while at the same time further tapping into the existing business resources. In addition, as a result of enhancement of risk awareness of customers and further promotion of product portfolios of the Company, the proportion of customers buying both commercial and compulsory motor vehicle insurance as well as the average insured amount per auto saw steady growth, which had driven the growth of the average premium per auto.

Turnover of the commercial property insurance segment of the Company and its subsidiaries was RMB8,174 million in the first half of 2014, representing an increase of RMB144 million (or 1.8%) from RMB8,030 million in the first half of 2013. The growth was mainly attributable to actively coping with the complex macroeconomic situation and the slowing trend of the overall commercial property insurance industry, diligently expanding the sales channels of products and strengthening the marketing of products by the Company.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB5,443 million in the first half of 2014, representing an increase of RMB857 million (or 18.7%) from RMB4,586 million in the first half of 2013. During the first half of 2014, the government authorities strengthened the social management function of liability insurance mechanism and promulgated a series of laws, regulations and regulatory documents. The Company seized the opportunities brought by these favourable policies, further strengthened its differentiated resources allocation, actively served the overall national economic and social environment, increased its inputs into traditional insurance business of high quality, such as employer liability insurance, natural disaster public liability insurance, dispersive liability insurance, and reinforced the promotion of new business, including environmental pollution liability insurance and motor vehicle extended warranty and repair insurance, thereby resulting in a relatively faster growth of both the traditional insurance business of high quality and new liability insurance business.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB8,731 million in the first half of 2014, representing an increase of RMB3,429 million (or 64.7%) from RMB5,302 million in the first half of 2013. One of the reasons for the rapid development of the accidental injury and health insurance was the successful seizing by the Company of the opportunities posed by the reforms of the national medical and health systems in the sustainable development of specific health insurance business, mainly critical illness insurance, thereby triggering the overall rapid growth in the health insurance business. Another reason was the Company's efforts in the continued strengthening of resources integration, further tapping into the potentials of existing customers, increased sales efforts for emerging channels such as tele-marketing and online sales, strengthened technical innovation of policy issuance which fully released the capacity of policy issuance platform, realising the relatively rapid development of key kinds of accidental injury insurances, such as group accidental insurance, accidental insurance for construction projects and drivers' accidental insurance.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB2,013 million in the first half of 2014, representing a decrease of RMB68 million (or -3.3%) from RMB2,081 million in the first half of 2013. Affected by the macroeconomic situation and market pattern changes, the cargo volume from existing cargo insurance customers decreased and the number of large new projects was limited, resulting in a drop in the turnover.

Turnover of the agriculture insurance segment of the Company and its subsidiaries was RMB10,943 million in the first half of 2014, representing an increase of RMB78 million (or 0.7%) from RMB10,865 million in the first half of 2013, which was close to the same period of last year.

Turnover of the other insurance segment of the Company and its subsidiaries was RMB6,039 million in the first half of 2014, representing an increase of RMB584 million (or 10.7%) from RMB5,455 million in the first half of 2013. The turnover growth of the other insurance segment was mainly attributable to the Company's active innovation of products and sales model and diligent market expansion, resulting in growth of the credit and surety insurance, construction insurance and homeowners insurance business.

NET PREMIUMS EARNED

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Motor vehicle insurance	**78,906**	69,416
Commercial property insurance	**4,135**	4,152
Liability insurance	**3,526**	3,030
Accidental injury and health insurance	**4,649**	2,966
Cargo insurance	**1,338**	1,292
Agriculture insurance	**4,747**	4,490
Other insurance	**2,345**	2,120
Total	**99,646**	87,466

Net premiums earned of the Company and its subsidiaries were RMB99,646 million in the first half of 2014, representing an increase of RMB12,180 million (or 13.9%) from RMB87,466 million in the first half of 2013.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2014		2013	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	RMB million	*%*	*RMB million*	*%*
Motor vehicle insurance	(50,594)	(64.1)	(44,804)	(64.5)
Commercial property insurance	(1,847)	(44.7)	(1,922)	(46.3)
Liability insurance	(1,850)	(52.5)	(1,577)	(52.0)
Accidental injury and health insurance	(3,637)	(78.2)	(2,004)	(67.6)
Cargo insurance	(540)	(40.4)	(434)	(33.6)
Agriculture insurance	(2,797)	(58.9)	(2,085)	(46.4)
Other insurance	(946)	(40.3)	(951)	(44.9)
Total	(62,211)	(62.4)	(53,777)	(61.5)

Net claims incurred of the Company and its subsidiaries in the first half of 2014 were RMB62,211 million, representing an increase of RMB8,434 million (or 15.7%) from RMB53,777 million in the first half of 2013. The loss ratio was 62.4%, representing an increase of 0.9 percentage points compared with the same period of last year.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB50,594 million in the first half of 2014, representing an increase of RMB5,790 million (or 12.9%) from RMB44,804 million in the first half of 2013. The Company strengthened its underwriting risk control, perfected the differentiated allocation of sales expenses and optimised the business structure, thereby resulting in a decrease in claim frequency as compared with that of the same period of last year. Meanwhile, as a result of the multi-faceted reinforcement of cost control in relation to settlement of claims, and the mitigation of adverse impact from the increase of price of auto spare parts and man-power costs, the loss ratio of the motor vehicle insurance segment decreased by 0.4 percentage points from 64.5% in the first half of 2013 to 64.1% in the first half of 2014.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB1,847 million in the first half of 2014, representing a decrease of RMB75 million (or -3.9%) from RMB1,922 million in the first half of 2013. The loss ratio decreased by 1.6 percentage points from 46.3% in the first half of 2013 to 44.7% in the first half of 2014. Both the net claims incurred and loss ratio of the commercial property insurance segment decreased due to the strengthening of management of underwriting and claims verification and risk management and control by the Company.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB1,850 million in the first half of 2014, representing an increase of RMB273 million (or 17.3%) from RMB1,577 million in the first half of 2013, of which the claims paid for road passenger transportation carrier liability insurance, product liability insurance and public liability insurance experienced a notable increase as compared to the same period of last year. The loss ratio increased by 0.5 percentage points from 52.0% in the first half of 2013 to 52.5% in the first half of 2014.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB3,637 million in the first half of 2014, representing an increase of RMB1,633 million (or 81.5%) from RMB2,004 million in the first half of 2013. The loss ratio increased by 10.6 percentage points from 67.6% in the first half of 2013 to 78.2% in the first half of 2014. Given the backdrop of an enhanced insurance awareness of residents and the promotion of China's medical system reform, the Company actively adjusted its business structure and expanded the new rural cooperative supplemental medical insurance, urban residents basic medical insurance, urban residents supplemental medical insurance and urban and rural residents critical illness insurance business, which, by reason of their broader coverage and extensive protection, resulted in a notable consequential increase in the loss ratio.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB2,797 million in the first half of 2014, representing an increase of RMB712 million (or 34.1%) from RMB2,085 million in the first half of 2013. The loss ratio also increased evidently as a result of frequent severe natural disasters in the first half of 2014, such as frost due to low temperature and flood.

TOTAL EXPENSES

The following table sets forth the total expenses of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the "expense ratio") for the relevant periods:

	Six months ended 30 June			
	2014		2013	
	Total expenses *RMB million*	Expense ratio *%*	Total expenses *RMB million*	Expense ratio *%*
Motor vehicle insurance	**(25,410)**	**(32.2)**	(22,812)	(32.9)
Commercial property insurance	**(1,808)**	**(43.7)**	(1,505)	(36.2)
Liability insurance	**(1,326)**	**(37.6)**	(1,082)	(35.7)
Accidental injury and health insurance	**(931)**	**(20.0)**	(806)	(27.2)
Cargo insurance	**(638)**	**(47.7)**	(322)	(24.9)
Agriculture insurance	**(935)**	**(19.7)**	(924)	(20.6)
Other insurance	**(800)**	**(34.1)**	(608)	(28.7)
Total	**(31,848)**	**(32.0)**	(28,059)	(32.1)

Total expenses of the Company and its subsidiaries were RMB31,848 million in the first half of 2014, with the expense ratio decreasing by 0.1 percentage point from 32.1% in the first half of 2013 to 32.0% in the first half of 2014. On one hand, the intensified market competition pushed up the underwriting cost and in the course of strategic adjustment of its business structure, the Company increased its expenses for high quality non-motor vehicle insurance business, which resulted in an increase in the underwriting expense ratio. On the other hand, by implementing a company-wide "cost-leading" strategy, the Company made full efforts to establish a service-, thriftiness-, efficiency- and honesty-oriented "four-type headquarters", continuously strengthened cost management at all levels, reinforced rigid management of fees and expenses, refined expense budgeting and process management and strictly controlled the operating cost. As a result, the administrative expense ratio decreased as compared to the same period of last year, setting off the impact of the increase in the underwriting expense ratio on the total expense ratio.

UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2014		2013	
	Underwriting profit	Underwriting profit ratio	Underwriting profit	Underwriting profit ratio
	RMB million	*%*	*RMB million*	*%*
Motor vehicle insurance	2,902	3.7	1,800	2.6
Commercial property insurance	480	11.6	725	17.5
Liability insurance	350	9.9	371	12.3
Accidental injury and health insurance	81	1.8	156	5.2
Cargo insurance	160	11.9	536	41.5
Agriculture insurance	1,015	21.4	1,481	33.0
Other insurance	599	25.6	561	26.4
Total	5,587	5.6	5,630	6.4

The Company and its subsidiaries recorded an underwriting profit of RMB5,587 million in the first half of 2014, representing a decrease of RMB43 million (or -0.8%) from RMB5,630 million in the first half of 2013; and the underwriting profit ratio was 5.6%, decreasing by 0.8 percentage points from 6.4% in the first half of 2013.

INVESTMENT RESULTS

Composition of Investment Assets

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

	30 June 2014		31 December 2013	
	Balance	Percentage	Balance	Percentage
	RMB million	*%*	*RMB million*	*%*
By category:				
Cash and cash equivalents	21,284	8.0	16,272	6.8
Term deposits	79,066	29.7	63,485	26.5
Debt securities	107,524	40.4	105,682	44.1
Equity securities	31,885	12.0	28,964	12.1
Subordinated debts held, debt investment schemes and trust plan	12,930	4.9	12,910	5.4
Investment properties	4,672	1.8	4,591	1.9
Investment in associates	4,205	1.6	3,973	1.7
Other investment assets *(Note)*	4,472	1.6	3,613	1.5
Total investment assets	266,038	100.0	239,490	100.0

Note: Other investment assets mainly include derivative financial assets, deposits for capital security fund and asset-backed securities.

In the first half of 2014, the Company maintained a steady growth in the operating results, which provided a stable cash flow support for the investment business of the Company. The Company strengthened and improved the existing fund management model, which provided rapid and effective fund supply channels for investment business while assuring sufficient working capital for daily operation of the Company. As a result, the amount of the investment assets of the Company at the end of the reporting period increased by RMB26,548 million (or 11.1%) as compared to the end of 2013. While enlarging the overall size of the investment assets, the Company timely adjusted the composition of investment assets with reference to the circumstances of the capital market and its own risk preferences, improved the quality of its investment portfolio and achieved a balance between profit earning and risk taking.

In the first half of 2014, the capital market experienced continuous fluctuations at low levels. The Company increased its investments in monetary funds and negotiated deposits, and actively adjusted the relative percentage of equity securities held by the Company at proper time in light of the market conditions. In the meantime, on the premise of strict risk control and ensuring the safe return of principals and interests, the Company also continued to actively participate in energy- and infrastructure-related debt investment schemes and prudently purchased corporate bonds with high credit ratings and of high quality in order to expand the channels for fund utilisation and increase the investment yield.

Investment Income

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Rental income from investment properties	**107**	96
Interest income	**5,108**	4,099
Dividend income	**687**	666
Total of investment income	**5,902**	4,861

Investment income of the Company and its subsidiaries was RMB5,902 million in the first half of 2014, representing an increase of RMB1,041 million (or 21.4%) from RMB4,861 million in the first half of 2013, mainly due to the Company's continuous adoption of prudent and sound investment strategy and the increase of investments in negotiated deposits and fixed income bonds with stable income, which led to an increase in interest income by RMB1,009 million (or 24.6%) compared to the same period of last year.

Net Realised and Unrealised (Losses)/Gains on Investments

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Realised (losses)/gains on investments	**(54)**	741
Unrealised gains/(losses) on investments	**80**	(6)
Impairment losses	**(495)**	(609)
Fair value gains on investment properties	**21**	101
Total of net realised and unrealised (losses)/gains on investments	**(448)**	227

Net realised and unrealised losses on investments of the Company and its subsidiaries were RMB448 million in the first half of 2014, representing a decrease of RMB675 million compared to the net realised and unrealised gains on investments of RMB227 million in the first half of 2013. The decrease was mainly due to the fluctuation of the domestic capital market and lack of opportunities for realising investment assets. The Company recorded losses on bid-ask spread of RMB54 million in the first half of this year, representing a decrease of RMB795 million compared to the gains of RMB741 million in the first half of 2013.

OVERALL RESULTS

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Profit before tax	**10,268**	9,755
Income tax expense	**(2,478)**	(2,126)
Profit attributable to owners of the parent	**7,790**	7,629
Total assets *(Note)*	**361,291**	319,424

Note: Based on the data as at 30 June 2014 and 31 December 2013.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB10,268 million in the first half of 2014, representing an increase of RMB513 million (or 5.3%) from RMB9,755 million in the first half of 2013.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,478 million in the first half of 2014, representing an increase of RMB352 million from RMB2,126 million in the first half of 2013. The increase in the income tax expense of the Company and its subsidiaries was primarily due to an increase in the profit before tax in the first half of 2014.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit attributable to owners of the parent increased by RMB161 million from RMB7,629 million in the first half of 2013 to RMB7,790 million in the first half of 2014. Basic earnings per share attributable to owners of the parent in the first half of 2014 was RMB0.573.

CASH FLOW

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

	Six months ended 30 June	
	2014	2013
	RMB million	*RMB million*
Net cash inflow from operating activities	**17,491**	11,535
Net cash outflow from investing activities	**(15,042)**	(3,547)
Net cash inflow from financing activities	**2,563**	7,118
Net increase in cash and cash equivalents	**5,012**	15,106

In the first half of 2014, the net cash inflow from operating activities of the Company and its subsidiaries was RMB17,491 million, representing an increase of RMB5,956 million (or 51.6%) from RMB11,535 million in the first half of 2013. In the first half of 2014, while maintaining steady growth of business, the Company focused on the management and control of premiums receivable. The cash inflow generated from premiums received under original insurance contracts increased significantly, offsetting the increase in such cash expenditures as claim payments and underwriting fees under the original insurance contracts. This was the main reason for the increase in the Company's net cash inflow from operating activities.

In the first half of 2014, the net cash outflow from investing activities of the Company and its subsidiaries increased by RMB11,495 million compared to the first half of 2013, mainly due to the increase in the term deposits with original maturity of more than 3 months.

In the first half of 2014, the net cash inflow from financing activities of the Company and its subsidiaries decreased by RMB4,555 million compared to the first half of 2013, mainly due to the financing by means of rights issue conducted by the Company in the first half of 2013.

As at 30 June 2014, the cash and cash equivalents of the Company and its subsidiaries were RMB21,284 million.

LIQUIDITY

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

In June 2011, June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5 billion, RMB6 billion, RMB5 billion and RMB3 billion respectively, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

Save for the subordinated term debts mentioned above, the Company and its subsidiaries did not obtain working capital by 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. Capital expenditure of the Company and its subsidiaries was RMB531 million in the first half of 2014.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB30,637 million on 30 June 2014. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB55,425 million and the solvency margin ratio was 181% *(Note)*.

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

GEARING RATIO

As at 30 June 2014, the gearing ratio *(Note)* of the Company and its subsidiaries was 76.9%, representing an increase of 1.0 percentage point from 75.9% as at 31 December 2013.

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

CONTINGENT EVENT

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, 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 thereby will not have a material adverse effect on the financial positions or operating results of the Company and its subsidiaries.

There were certain outstanding litigation matters against the Company and its subsidiaries as at 30 June 2014. After taking into account professional opinions, the management of the Company believes that such litigation matters will not cause significant losses to the Company and its subsidiaries.

EVENT AFTER THE BALANCE SHEET DATE

On 22 August 2014, the Board of Directors approved the appropriations of RMB779 million, RMB779 million and RMB2,337 million to the statutory surplus reserve, the general risk reserve and the discretionary surplus reserve, respectively, based on 10%, 10% and 30% of the profit after tax of the Company for the six months ended 30 June 2014.

CREDIT RISK

Credit risk is the risk of economic loss suffered by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payment when due. The assets of the Company and its subsidiaries which are subject to credit risk are substantially insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

The Company and its subsidiaries make credit sales only to corporate customers or individual customers who purchase part of the insurance policies through insurance intermediaries. The ability to collect premiums in a timely manner remains one of the key performance indicators of the Company. As the Company's premiums receivable involves a large number of diversified customers, there are no major credit concentration risks in insurance receivables.

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

The Company and its subsidiaries diligently manage credit risk in debt securities investment by analysing the creditworthiness of targeted companies prior to making investments and by strictly conforming to the relevant regulations issued by the CIRC on the investment ratings of corporate bonds. The majority of corporate bonds held by the Company and its subsidiaries has 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. Parts of the business of the Company and its subsidiaries (including part of the commercial property insurance, international cargo insurance and aviation insurance business) are conducted in foreign currencies, primarily in US dollars. The Company and its subsidiaries are also exposed to exchange rate risks with respect to assets such as bank deposits and debt securities which are valued based on foreign currencies (normally in US dollars) and certain insurance business liabilities which are denominated in foreign currencies (normally in US dollars).

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

INTEREST RATE RISK

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

INTEREST RATE SWAPS

The Company's financial assets which bear interests at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As at 30 June 2014, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,650 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2014, the Company designed and developed 104 insurance provisions which were filed with the CIRC, consisting of 14 new national provisions, 1 amended national provision, 82 new regional provisions and 7 amended regional provisions.

As at 30 June 2014, the Company had 6,495 insurance provisions in operation and use, of which 4,420 are national provisions and 2,075 are regional provisions.

EMPLOYEES

As at 30 June 2014, the Company had 159,221 employees (among which 64,757 employees signed labor contracts formulated by the Company's headquarters). In the first half of 2014, the Company and its subsidiaries paid a total remuneration of RMB12,046 million to their employees, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

2014 is a year for the Company to commence its new strategy of "transformation and upgrading" and also a year when the Company will face both opportunities and challenges. In respect of the macro-environment, the overall economy shows trends of bouncing back. With the passing of *the Opinions on Accelerating the Development of the Modern Insurance Service Industry* by the State Council, the development of the modern insurance service industry is being considered and coordinated in the overall economic and social layout, elevating the position of the modern insurance service industry in the national economic and social development from an economic "booster" and a social "stabiliser" to a pillar force in enhancing a sound financial system, a solid support in improving the guarantee of people's livelihood, an effective mechanism for social management innovation and a breakthrough point for promoting economic quality and efficiency upgrading and transforming governmental functions. The supporting policies for developing the modern insurance service industry have also been defined, creating a new historical opportunity for the development of the insurance industry. However, with respect to the industry development, the Company faces more challenges in the course of its development due to such factors as intensifying market competition and accelerated deregulation of commercial auto pricing.

Faced with the complex and volatile external conditions, the Company will continue to manage the overall status based on scientific development and continue to improve its development, profitability and service under the guidance of transformation and upgrading with a view to ensuring that the targets for the whole year will be well achieved. Firstly, the Company must target the market, vigorously grasp opportunities and endeavour to achieve business development in all respects; secondly, the Company must optimise its business structure, reinforce its cost control and improve its operating profitability; thirdly, the Company must strengthen its business budget and process management on operation and improve the level of refined management; fourthly, the Company must reinforce customer management, optimise its operation platform and improve its service efficiency and quality.

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

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 30 June 2014 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

Changes in Directors during the period from 1 January 2014 to the date of this interim report are as follows:

Mr Guo Shengchen, an Executive Director and originally an Executive Vice President of the Company, was elected as the Vice Chairman of the Board and appointed as the President of the Company on 21 January 2014. Mr Tse Sze-Wing, Edmund resigned as a Non-executive Director effective from 10 July 2014, and his capacity as a member of the Strategic Planning Committee of the Company ceased simultaneously.

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

Mr Wu Yan *(Chairman of the Board, Executive Director)*
Mr Guo Shengchen *(Vice Chairman of the Board, Executive Director)*
Mr Wang Yincheng *(Non-executive Director)*
Mr Zhou Shurui *(Non-executive Director)*
Ms Yu Xiaoping *(Non-executive Director)*
Mr Li Tao *(Non-executive Director)*
Mr Wang He *(Executive Director)*
Mr Luk Kin Yu, Peter *(Independent Non-executive Director)*
Mr Ding Ningning *(Independent Non-executive Director)*
Mr Liao Li *(Independent Non-executive Director)*
Mr Lin Hanchuan *(Independent Non-executive Director)*

There has been no change in the members of the Supervisory Committee of the Company from 1 January 2014 to the date of this interim report.

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

Mr Wang Yueshu *(Chairman of the Supervisory Committee)*
Mr Sheng Hetai *(Supervisor)*
Mr Lu Zhengfei *(Independent Supervisor)*
Ms Qu Yonghuan *(Employee Representative Supervisor)*
Mr Shen Ruiguo *(Employee Representative Supervisor)*

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Mr Wu Yan, Chairman of the Board, is also Chairman of PICC Health*. Mr Zhou Shurui, a Non-executive Director, no longer serves as Chairman of PICC Health*. Mr Wang He, an Executive Director, is also a Vice Secretary-General of The Insurance Institute of China and a Vice Chairman of the China Association of Actuaries.

Mr Sheng Hetai, a Supervisor, is also a Vice President of PICC Group** and he no longer serves as the Assistant to the President of PICC Group**.

* This company is a subsidiary of PICC Group.
** This company is listed on the Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Guidelines") that are applicable to Directors, Supervisors and all employees, and the terms of the Guidelines are no less exacting than those set out in the Model Code. The Company has enquired with all the Directors and Supervisors and they all confirmed that they had complied with the requirements under the Model Code and the Guidelines during the first half of 2014.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

To the knowledge of the Directors, as at 30 June 2014, 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, recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Group *(Notes 1 & 2)*	Beneficial owner	9,384,386,220	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
AIG *(Notes 1, 3, 4 & 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania *(Notes 1, 3, 4 & 5)*	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company *(Notes 1, 3, 4 & 5)*	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company *(Notes 1, 3, 4 & 5)*	Beneficial owner	209,577,220	Long position	6.06%	1.88%
BlackRock, Inc.	Interest of controlled corporations	247,778,936	Long position	5.87%	1.82%
		764,000	Short position	0.01%	0.01%

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO *(continued)*

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
Platinum Investment Management Limited	Investment manager, trustee (other than a bare trustee)	219,663,799 *(Note 6)*	Long position	5.21%	1.61%
JPMorgan Chase & Co.	Beneficial owner, investment manager, trustee (other than a bare trustee), custodian corporation/approved lending agent	211,482,981 *(Note 7)*	Long position	5.01%	1.55%
	Beneficial owner	5,534,429	Short position	0.13%	0.04%
	Custodian corporation/ approved lending agent	182,328,553	Lending pool	4.32%	1.34%

Notes:

1. The Company conducted the first rights issue in 2011 on the basis of 1 rights share for every 10 shares, and the rights shares were issued on 30 December 2011 (the "2011 Rights Issue"). The Company conducted the second rights issue in 2013 on the basis of 1.1 rights shares for every 10 shares, and the rights shares were issued on 25 June 2013 (the "2013 Rights Issue" and together with the 2011 Rights Issue, the "Rights Issues").

2. The number of shares held by PICC Group and its percentage of shareholding were based on those recorded in the Company's register of members of domestic shareholders as at 30 June 2014, which also represent the shareholding status of PICC Group after the completion of the Rights Issues.

3. After the completion of the Rights Issues, the numbers of H shares held by the H shareholders have changed. However, the Company has not received any disclosure of interests notices by the H shareholders in relation thereto. The information on the numbers of H shares held by the H shareholders and their percentages of shareholdings set out above was based on the disclosure of interests notices available on the website of the Hong Kong Stock Exchange as at 30 June 2014.

4. To the knowledge of the Company, AIG was interested in 1,346,809,396 H shares of the Company as at 30 June 2014, representing approximately 31.92% of the total issued H shares or approximately 9.9% of the total issued share capital of the Company. Such H shares were held by corporations controlled by AIG, of which Chartis Property Casualty Company held 686,872,792 H shares, Commerce and Industry Insurance Company held 404,042,819 H shares and Lexington Insurance Company held 255,893,785 H shares.

5. Birmingham Fire Insurance Company of Pennsylvania (now known as "Chartis Property Casualty Company"), Commerce and Industry Insurance Company and Lexington Insurance Company are controlled corporations of AIG. Based on the latest disclosure of interests notice made by AIG, AIG owned 100% shareholding in each of Birmingham Fire Insurance Company of Pennsylvania and Commerce and Industry Insurance Company. Based on the latest disclosure of interests notice made by Lexington Insurance Company, AIG indirectly owned 100% shareholding in Lexington Insurance Company.

6. Such 219,663,799 shares included 62,871,911 shares held in the capacity as investment manager and 156,791,888 shares held in the capacity as trustee (other than a bare trustee).

7. Such 211,482,981 shares included 26,546,668 shares held in the capacity as beneficiary owner, 2,038,000 shares held in the capacity as investment manager, 569,760 shares held in the capacity as trustee (other than a bare trustee) and 182,328,553 shares held in the capacity as custodian corporation/approved lending agent.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO *(continued)*

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 to be 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 2014.

PROFIT APPROPRIATION AND INTERIM DIVIDEND

On 22 August 2014, the Board of Directors approved the appropriations of RMB779 million, RMB779 million and RMB2,337 million to the statutory surplus reserve, the general risk reserve and the discretionary surplus reserve, respectively, based on 10%, 10% and 30% of the profit after tax of the Company for the six months ended 30 June 2014. The Board of Directors does not propose any interim dividend for the six months ended 30 June 2014.

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 2014.

CORPORATE GOVERNANCE

Save for the deviation from provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code in the first half of 2014.

According to provision A.4.2 of the Corporate Governance Code, every director shall be subject to retirement by rotation at least once every three years. The terms of directorship of Mr Luk Kin Yu, Peter and Mr Ding Ningning should have expired on 28 April 2011 and 17 January 2012 respectively, and the terms of directorship of all the other Directors should have expired on 16 January 2014. In accordance with the provisions of the PRC Company Law, where a director has not yet been re-elected upon the expiry of his/her term of office or the number of directors is less than the required quorum due to the resignation of a director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, Mr Luk Kin Yu, Peter, Mr Ding Ningning and all the other Directors have currently continued to serve as Directors until the newly elected directors commence their terms of office. As a result, the Company failed to comply with the relevant requirement of the Corporate Governance Code during the period from 29 April 2011 to the date of this interim report.

REVIEW OF INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2014.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
22 August 2014

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

"AIG"	American International Group, Inc.
"Board" or "Board of Directors"	the board of directors of the Company
"CIRC"	China Insurance Regulatory Commission
"Company"	PICC Property and Casualty Company Limited
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PICC Group"	The People's Insurance Company (Group) of China Limited
"PICC Health"	PICC Health Insurance Company Limited
"PRC" or "China"	the People's Republic of China
"PRC Company Law"	the Company Law of 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
"%"	per cent