中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

Stock Code：1339

Interim Report 2015

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") is the first nation-wide insurance company in the People's Republic of China (the "PRC") and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking 174th on the Global 500 (2015) published by Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC Property and Casualty Company Limited ("PICC P&C", listed on the Stock Exchange of Hong Kong with the stock code 02328) and in Hong Kong through The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong"), in which the Company holds approximately 68.98% and 75.0% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"), in which the Company holds, directly and indirectly, 80.0% and approximately 93.95% equity interests, respectively. The Company consolidates and professionally manages most of its insurance assets through PICC Asset Management Company Limited ("PICC AMC"), in which the Company holds 100% equity interest, and designates PICC Investment Holding Co., Ltd ("PICC Investment Holding") as a professional investment company specializing in real estate investments in which, the Company holds 100% equity interest. The Company also carries out non-transactional businesses such as equity and debt investments in insurance and non-insurance funds within and outside the Group through PICC Capital Investment Management Company Limited ("PICC Capital") in which it holds a 100% equity interest. The Company has also made strategic plans for non-insurance financial businesses such as in the banking and trust areas.

The Company's principal competitive strengths include:

- We are the pioneer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry.
- We are an integrated insurance financial group focusing on our core business, with a leading position in the rapidly developing Chinese insurance market.
- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, enabling us to sustain rapid development in business and stable growth in profits.
- We proactively synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.
- We have implemented efficient management at the group level to effectively improve synergies among different business lines and improve our overall operational efficiency.
- We have a strong professional technical edge and product and service innovation capabilities.
- We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas.
- We have an experienced and insightful management team.

Contents

Financial Highlights

Unit: RMB in millions, except for percentages

	30 June 2015	31 December 2014	(% of change)
Total assets	**872,118**	782,221	11.5
Total liabilities	**724,292**	656,644	10.3
Total equity	**147,826**	125,577	17.7
Net assets value per share (RMB) [(1)]	**2.59**	2.18	18.6

Unit: RMB in millions, except for percentages

	For the six months ended 30 June		
	2015	2014	(% of change)
Gross written premiums	**226,928**	204,544	10.9
Net profit	**18,032**	9,252	94.9
Net profit attributable to equity holders of the Company	**12,821**	6,614	93.8
Earnings per share (RMB) – Basic and diluted [(1)]	**0.30**	0.16	93.8
Weighted average return on equity (annualised) (%)	**25.3**	17.4	Increase of 7.9 pt

(1) As attributable to equity holders of the Company.

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments: the P&C insurance business constitutes the Group's P&C insurance segment, and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interest, respectively; the life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company directly and indirectly holds 80.0% equity interest, and the health insurance segment includes PICC Health in which the Company directly and indirectly holds 93.95% equity interest; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), in which the Company holds 100.0%, 100.0%, 100.0% and 100.0% equity interest, respectively.

KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Original Premiums Income			
PICC P&C	**145,926**	131,836	10.7
PICC Life	**67,156**	58,019	15.7
PICC Health	**12,848**	14,007	(8.3)
Combined ratio of PICC P&C (%)	**94.7**	94.4	Increase of 0.3 pt
Value of half year's new business of PICC Life[1]	**2,699**	2,393	12.8
Value of half year's new business of PICC Health[1]	**235**	201	16.9
Total investment yield (annualised) (%)	**8.8**	5.1	Increase of 3.7 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2015	As of 31 December 2014	(% of change)
Market share[2]			
PICC P&C (%)	**34.2**	33.5	Increase of 0.7 pt
PICC Life (%)	**7.1**	6.2	Increase of 0.9 pt
PICC Health (%)	**1.4**	1.2	Increase of 0.2 pt
Embedded Value of PICC Life	**54,484**	47,414	14.9
Embedded Value of PICC Health	**5,035**	4,463	12.8
Solvency margin ratio of the Group (%)	**177**	182	Decrease of 5 pt
Solvency margin ratio of the PICC P&C (%)	**226**	239	Decrease of 13 pt
Solvency margin ratio of PICC Life (%)	**309**	301	Increase of 8 pt
Solvency margin ratio of PICC Health (%)	**202**	187	Increase of 15 pt

(1) Value of the first half year's new business of PICC Life and PICC Health as at 30 June 2014 was recalculated based on the assumptions and capital requirements as of 31 December 2014.

(2) The market share was based on the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Insurance Regulatory Commission (the "CIRC"), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

For the six months ended 30 June 2015, adhering to its key aspiration of "Further reform and innovation, maintenance of stable growth and emphasizing value creation" with firm confidence, the Group grasped opportunities and overcame difficulties to lay a solid foundation. The Group has shown a steady growth in its business and seen its profits increase significantly, while making an orderly advance in its reform and innovation. For the six months ended 30 June 2015, the market share of PICC P&C in the P&C insurance market was 34.2%, the market share of PICC Life in life and health insurance market was 7.1% and the market share of PICC Health in life and health insurance market was 1.4%. In terms of the total written premiums (the "TWPs"), for the six months ended 30 June 2015, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB145,926 million, RMB70,778 million, RMB14,717 million and HKD61 million, respectively. The Group proactively pushed for a transformation towards being "customer-oriented", and for a unification in the construction of the Group. The TWPs generated by cross-selling among the Group's business lines grew by 7.4% to RMB15,406 million for the six months ended 30 June 2015 from RMB14,349 million for the same period in 2014. As of 30 June 2015, the number of policyholders who purchased two or more types of property, life and health insurance products reached 4.1371 million, representing a 35.8% increase compared to the same period in 2014, and the number of policies purchased by such policyholders on average increased to 4.70 policies per person.

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Gross written premiums	**226,928**	204,544	10.9
P&C Insurance	**146,300**	132,162	10.7
Life Insurance	**67,780**	58,375	16.1
Health Insurance	**12,848**	14,007	(8.3)
Profit before tax	**22,367**	11,962	87.0
Net profit	**18,032**	9,252	94.9
Net profit attributable to equity holders of the Company	**12,821**	6,614	93.8
Earnings per share (RMB)	**0.30**	0.16	93.8
Weighted average return on equity (annualised) (%)	**25.3**	17.4	Increase of 7.9 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2015	As of 31 December 2014	(% of change)
Total assets	**872,118**	782,221	11.5
Total liabilities	**724,292**	656,644	10.3
Total equity	**147,826**	125,577	17.7
Net assets per share (RMB)	**2.59**	2.18	18.6
Gearing ratio[1] (%)	**83.0**	83.9	Decrease of 0.9 pt

(1) The gearing ratio refers to the ratio of total liabilities to total assets.

The Group's capital base has been further strengthened in which total equity grew by 17.7% to RMB147,826 million as of 30 June 2015 from RMB125,577 million as of 31 December 2014. For the six months ended 30 June 2015, the Group realised gross written premiums ("GWPs") of RMB226,928 million, representing a 10.9% increase as compared to the same period in 2014. The Group's net profit grew by 94.9% to RMB18,032 million for the six months ended 30 June 2015 from RMB9,252 million for the same period in 2014. Net profit attributable to equity holders of the Company grew by 93.8% to RMB12,821 million for the six months ended 30 June 2015 from RMB6,614 million for the same period in 2014. The weighted average return on equity of the Group increased by 7.9 percentage points to 25.3% for the six months ended 30 June 2015 from 17.4% for the same period in 2014.

Net assets per share of the Group increased by 18.6% to RMB2.59 as of 30 June 2015 from RMB2.18 as of 31 December 2014. The Group's earnings per share increased by 93.8% to RMB0.30 for the six months ended 30 June 2015 from RMB0.16 for the same period in 2014. The Group's gearing ratio decreased by 0.9 percentage points to 83.0% as of 30 June 2015 from 83.9% as of 31 December 2014.

P&C INSURANCE BUSINESS

In the first half of 2015, the Group's P&C insurance segment focused on issues and the target market, improved quality to achieve greater efficiency, increased its efforts in reform and innovation and placed more emphasis on value creation, maintaining a swift development in its business and stability in its market share as well as reaching new heights in its operating results.

(1) Analysis by Product

The following table sets forth the GWPs by product from P&C insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Motor vehicle insurance	**98,813**	90,779	8.9
Commercial property insurance	**8,232**	8,194	0.5
Liability insurance	**6,144**	5,476	12.2
Accidental injury and health insurance	**12,179**	8,732	39.5
Cargo insurance	**1,798**	2,017	(10.9)
Agricultural insurance	**12,588**	10,943	15.0
Other P&C insurance	**6,546**	6,021	8.7
Total	**146,300**	132,162	10.7

GWPs for the P&C insurance segment increased by 10.7% to RMB146,300 million for the six months ended 30 June 2015 from RMB132,162 million for the same period in 2014. The overall steady growth was largely driven by the rapid development in the motor vehicle insurance, liability insurance, accidental injury and health insurance and agricultural insurance.

GWPs for motor vehicle insurance increased by 8.9% to RMB98,813 million for the six months ended 30 June 2015 from RMB90,779 million for the same period in 2014. In the first half year of 2015, the growth rate in sales volume of new vehicles in the PRC showed clear signs of recline. The P&C insurance segment took a positive approach to the deregulation of premium rate of commercial motor vehicle insurance and built marketing strategies for the segment market, promoted the change in marketing model from “product-driven” to “customer-driven”, tapped into the existing business resources, and focused on the policy renewal and regain of existing business, and vigorously drove a steady growth in the motor vehicle insurance business.

GWPs for commercial property insurance increased by 0.5% to RMB8,232 million for the six months ended 30 June 2015 from RMB8,194 million for the same period in 2014. In the first half year of 2015, the P&C insurance segment proactively responded to the unfavourable situation of intensified market competition and decrease in insurance premium, accelerated the transformation and upgrading of customer service model and channel cooperation model and achieved a steady growth in property all-risk insurance, basic insurance and operation interruption insurance.

GWPs for liability insurance increased by 12.2% to RMB6,144 million for the six months ended 30 June 2015 from RMB5,476 million for the same period in 2014. In the first half year of 2015, as government authorities continued to enhance the society management function of the liability insurance system and as a series of regulatory policies such as the Food Safety Law was successively introduced, the P&C insurance segment fully leveraged on its edge in areas such as underwriting technology, product development, industry research, marketing and promotion, and the employers and medical liability insurance businesses recorded a relatively large growth.

GWPs for accidental injury and health increased by 39.5% to RMB12,179 million for the six months ended 30 June 2015 from RMB8,732 million for the same period in 2014. In the first half year of 2015, the P&C insurance segment seized policy opportunities and vigorously pushed for a rapid development in accidental injury insurance for people’s livelihood; at the same time, the major disease insurance business in the P&C insurance segment continually recorded surging growth, leading to a further increase in market share for the health insurance segment.

GWPs for cargo insurance decreased by 10.9% to RMB1,798 million for the six months ended 30 June 2015 from RMB2,017 million for the same period in 2014, primarily due to the domestic and foreign economic influences, shrinking insurance source from the cargo insurance market and the continuous decrease in insurance premium.

GWPs for agricultural insurance increased by 15.0% to RMB12,588 million for the six months ended 30 June 2015 from RMB10,943 million for the same period in 2014. In the first half year of 2015, the traditional agricultural insurance business in the P&C insurance segment, including rice, wheat, corn, pigs and cows, recorded a relatively high growth rate and achieved a relatively fast development in business; in addition, the P&C insurance segment continued to increase efforts on product innovation, gradually piloted promotion on tobacco growing, vegetable crops, tea growing, price index, meteorological index, crop seeding and Chinese herbal medicine insurances.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 8.7% to RMB6,546 million for the six months ended 30 June 2015 from RMB6,021 million for the same period in 2014. In the first half year of 2015, the credit insurance business in the P&C insurance segment recorded a rapid growth in its business.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In the first half year of 2015, PICC P&C actively facilitated the internet strategic layout, promoted a stronger integration of telemarketing and online sales, and broke new frontiers in the development of e-business, leading to a continuous increase in direct sales channels revenue. The percentage of Original Premiums Income from direct sales has increased 2.7% from 38.3% for the six months ended 30 June 2014 to 41.0% for the same period in 2015. The emerging direct sales channels such as telemarketing and online sales recorded strong growth. The Original Premiums Income earned from such channels amounted to RMB26,298 million, representing an increase of 14.1% compared to the same period in 2014.

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June				
	2015			2014	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	77,961	53.4	12.1	69,565	52.8
Among which:					
Individual insurance agents	42,080	28.8	4.2	40,379	30.6
Ancillary insurance agents	25,306	17.4	27.2	19,898	15.1
Professional insurance agents	10,575	7.2	13.9	9,288	7.1
Direct sales	59,783	41.0	18.4	50,483	38.3
Insurance brokerage	8,182	5.6	(30.6)	11,788	8.9
Total	145,926	100.0	10.7	131,836	100.0

(3) Financial Analysis

The following table sets forth certain selected key financial data of the P&C insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Net earned premiums	116,015	99,953	16.1
Investment income	12,633	5,048	150.3
Other income	536	498	7.6
Total income	134,422	110,412	21.7
Net claims and policyholders' benefits	71,293	62,387	14.3
Handling charges and commissions	14,190	11,421	24.2
Finance costs	788	923	(14.6)
Other operating and administrative expenses	30,510	25,983	17.4
Total benefits, claims and expenses	116,799	100,651	16.0
Profit before tax	19,175	10,938	75.3
Income tax expense	(4,116)	(2,479)	66.0
Net profit	15,059	8,459	78.0

Net earned premiums

Benefiting from the rapid development in the motor vehicle insurance, liability insurance, accidental injury and health insurance and agricultural insurance businesses, net earned premiums of the P&C insurance segment increased by 16.1% to RMB116,015 million for the six months ended 30 June 2015 from RMB99,953 million for the same period in 2014.

Investment Income

Investment income of the P&C insurance segment increased by 150.3% to RMB12,633 million for the six months ended 30 June 2015 from RMB5,048 million for the same period in 2014. This was mainly due to: firstly, the proactive seizure of opportunities in the capital market and enhancement of range trading on equities as well as timely realization of financial returns; secondly, the continual increase in allocation of resources in negotiated deposits, debt investment schemes of good credit rating and high quality, asset management products and so on; thirdly, the increase in switch operation of bonds, stabilization and further improvement in returns on positions.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 14.3% to RMB71,293 million for the six months ended 30 June 2015 from RMB62,387 million for the same period in 2014, of which the loss ratio of PICC P&C reduced by 0.9 percentage points to 61.5% for the six months ended 30 June 2015 from 62.4% for the same period in 2014. The P&C insurance segment continually strengthened spare parts and work hours management, comprehensively enhanced its management and control over claim costs by various means, and continuously optimized the structure of motor vehicle insurance business, which led to the decrease in loss ratio as compared to the same period in 2014.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 24.2% to RMB14,190 million for the six months ended 30 June 2015 from RMB11,421 million for the same period in 2014. The increase in handling charges and commissions were mainly due to the intensified market competition.

Finance costs

Finance costs of the P&C insurance segment decreased by 14.6% to RMB788 million for the six months ended 30 June 2015 from RMB923 million for the same period in 2014. This was mainly due to the decrease in interest payments on subordinated debts.

Net profit

As a result of the foregoing reasons, net profit of the P&C insurance segment increased by 78.0% to RMB15,059 million for the six months ended 30 June 2015 from RMB8,459 million for the same period in 2014.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half year of 2015, the Group's Life insurance segment adopted "Stabilizing growth, Emphasizing value, Strengthening the foundation" as its management philosophy, proactively adapted to the market changes, actively responded to the market competition, facilitated development by reform and innovation, and fully entered into the strategic transformation stage of the Company. It placed more emphasis on building its sales ability, strengthening team expansion and sales management, improving its team ability to create value; it further emphasized on being "customer-orientated" and tailored its product design and service support according to customers' needs, strengthened market adaptability and facilitated the growth in value; it emphasized more on the breakthrough of business in cities, culminating in the simultaneous development of the city and rural areas; it emphasized on grasping policy opportunities and exploring emerging business areas; it emphasized on building infrastructure, strengthening the management ability, service ability and risk management ability in various levels, and laid the foundation for its transformation and development. The PICC Life insurance segment maintained its market position, with its Original Premiums Income ranked fourth in the market.

1. *Analysis by Product*

Income from various products of the life insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2015		2014	
Life insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Traditional life and health insurance	**58,355**	**86.9**	46,825	80.7
Participating life insurance	**7,014**	**10.4**	9,626	16.6
Universal life insurance	**41**	**0.1**	41	0.1
Accidental injury and short-term health insurance	**1,747**	**2.6**	1,527	2.6
Total	**67,156**	**100.0**	58,019	100.0

In terms of TWPs, for the six months ended 30 June 2015, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB58,355 million, RMB9,714 million, RMB963 million, RMB1,747 million, respectively, of which traditional life and health insurance increased by 24.6% as compared to the same period in 2014. This was primarily due to the growth in the annual premium traditional life and health insurance products that catered closely to market needs.

2. *Analysis by Channel*

Income of life insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel, is as follows:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Bancassurance	**45,385**	37,717	20.3
First-year business of long-term insurance	**43,467**	35,338	23.0
Single premiums	**42,911**	34,760	23.4
First-year regular premiums	**556**	579	(3.9)
Renewal business	**1,817**	2,272	(20.0)
Short-term insurance	**101**	106	(4.9)
Individual Insurance	**15,729**	12,923	21.7
First-year business of long-term insurance	**12,657**	10,861	16.5
Single premiums	**10,249**	9,724	5.4
First-year regular premiums	**2,408**	1,137	111.8
Renewal business	**2,398**	1,634	46.7
Short-term insurance	**674**	428	57.4
Group Insurance	**6,042**	7,379	(18.1)
First-year business of long-term insurance	**5,010**	6,335	(20.9)
Single premiums	**5,009**	6,328	(20.8)
First-year regular premiums	**1**	7	(87.5)
Renewal business	**61**	52	16.5
Short-term insurance	**972**	992	(2.0)
Total	**67,156**	58,019	15.7

In terms of TWPs, for the six months ended 30 June 2015, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB45,475 million, RMB16,526 million and RMB8,777 million respectively.

In the life insurance segment, individual insurance channel accelerated its pace in building value channels, improved its professional sales ability, and achieved significant increases in first-year regular premiums income and first-year regular capacity per agent as compared to the same period in 2014. As of 30 June 2015, the number of insurance agents for the life insurance segment was 100,151. In the first half year of 2015, the first-year TWPs per capita from salesman amounted to RMB9,084 with number of new life insurance policies per capita of 2.45 per month. Bancassurance channel laid a stable increase base, and its TWPs achieved a double digit growth as compared to the same period in 2014. The group insurance channel strengthened the construction of its five major platforms. Businesses that involved cooperation with the government expanded steadily, such that the sales ability of the professional team was improved. The coverage of new business channel was expanded, and the telemarketing and online sales business recorded a high growth, while the third party cooperation channel continued to develop.

3. *Premium Persistency Ratios*

The following table sets forth the 13-month and 25-month premium persistency ratios for individual life insurance customers of the life insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June	
Item	**2015**	2014
13-month premium persistency ratio(1) (%)	**88.4**	87.6
25-month premium persistency ratio(2) (%)	**83.4**	81.2

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following table sets forth certain selected key financial data of the life insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Net earned premiums	**67,468**	58,124	16.1
Investment income	**13,037**	7,926	64.5
Other income	**160**	154	3.9
Total income	**80,682**	66,219	21.8
Net claims and policyholders' benefits	**72,614**	61,217	18.6
Handling charges and commissions	**2,575**	1,797	43.3
Finance costs	**787**	962	(18.2)
Other operating and administrative expenses	**3,039**	2,276	33.5
Total benefits, claims and expenses	**78,995**	66,208	19.3
Profit before tax	**2,849**	1,066	167.3
Income tax expense	**(194)**	(40)	385.0
Net Profit	**2,655**	1,026	158.8

Net earned premiums

Net earned premiums for the life insurance segment increased by 16.1% to RMB67,468 million for the six months ended 30 June 2015 from RMB58,124 million for the same period in 2014, mainly due to the introduction of products which better satisfied the market and customers' needs as well as the increased efforts in business promotion.

Investment income

The investment income of the life insurance segment increased by 64.5% to RMB13,037 million for the six months ended 30 June 2015 from RMB7,926 million for the same period in 2014. This was mainly due to: firstly, the seizure of opportunities in the capital market, the flexible adjustment of the proportionate positions in equities and equity fund, and the timely realization of financial returns; secondly, the continual increase in allocation of resources in negotiated deposits, debt investment schemes of good credit rating and high quality, asset management products and so on.

Other income

Other income of the life insurance segment increased by 3.9% to RMB160 million for the six months ended 30 June 2015 from RMB154 million from the same period in 2014. This was mainly due to the increase in handling charges from cross-selling.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment increased by 18.6% to RMB72,614 million for the six months ended 30 June 2015 from RMB61,217 million for the same period in 2014. This was mainly due to the increase in premiums, maturities and surrenders of policies.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 43.3% to RMB2,575 million for the six months ended 30 June 2015 from RMB1,797 million for the same period in 2014. This was mainly due to the increase in premiums and first-year regular premiums income.

Finance costs

Finance costs of the life insurance segment decreased by 18.2% to RMB787 million for the six months ended 30 June 2015 from RMB962 million for the same period in 2014. This was mainly due to the decrease in interest expenses of financial assets sold under agreements to repurchase as well as the decrease in interests credited to policyholder's deposits and investment amounts.

Net profit

Mainly attributable to the factors mentioned above, net profit of the life insurance segment increased by 158.8% to RMB2,655 million for the six months ended 30 June 2015 from RMB1,026 million for the same period in 2014.

(2) Health Insurance

In the first half year of 2015, under the guidance of "Speed up transformation and develop through innovation" and based on the operational requirements of "Profession with feature, transformation with effectiveness, turnaround with results", the health insurance segment of the Group promoted the upgrading of its management and service by improving its professional capacity, and continuously enhanced the ability of value creation. It actively expanded the breadth and depth of servicing the construction of national medical insurance system. In the first half of the year, PICC Health underwrote 236 government-commissioned projects which covered 116 cities and municipalities in 24 provinces (autonomous regions, municipality directly under the central government and municipalities with independent planning status), serving over 103 million people. PICC Health ranked fourteenth among life and health insurance companies and first among professional health insurance companies in terms of premiums income.

1. *Analysis by Product*

Income from various products of the health insurance segment for the purpose of Original Premiums Income for the reporting period is as follows:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2015		2014	
Health insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Illness insurance	**183**	**1.4**	141	1.0
Medical insurance	**4,663**	**36.3**	4,334	30.9
Disability losses insurance	**56**	**0.4**	60	0.4
Nursing care insurance	**7,466**	**58.1**	8,964	64.0
Accidental injury insurance	**259**	**2.0**	225	1.6
Participating endowment insurance	**222**	**1.7**	283	2.0
Total	**12,848**	**100.0**	14,007	100.0

In terms of TWPs, for the six months ended 30 June 2015, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance amounted to RMB183 million, RMB6,351 million, RMB56 million, RMB7,646 million, RMB259 million and RMB222 million, respectively, of which nursing care insurance decreased by 17.8% as compared to the same period in 2014. This was mainly due to the adjustment in business structure and contraction of the high cash value business.

2. *Analysis by Channel*

Income from various products of the health insurance segment by distribution channel for the purpose of Original Premiums Income during the reporting period, which are further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel, is as follows:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Bancassurance	**6,525**	8,725	(25.2)
First-year business of long-term insurance	**6,379**	8,574	(25.6)
Single premiums	**6,324**	8,526	(25.8)
First-year regular premiums	**54**	48	12.5
Renewal business	**144**	150	(4.0)
Short-term insurance	**1**	1	–
Individual Insurance	**1,334**	640	108.4
First-year business of long-term insurance	**1,158**	515	124.9
Single premiums	**1,044**	453	130.5
First-year regular premiums	**114**	62	83.9
Renewal business	**137**	89	53.9
Short-term insurance	**39**	36	8.3
Group Insurance	**4,990**	4,642	7.5
First-year business of long-term insurance	**14**	7	100.0
Single premiums	**13**	7	85.7
First-year regular premiums	**–**	–	–
Renewal business	**2**	1	100.0
Short-term insurance	**4,974**	4,634	7.3
Total	**12,848**	14,007	(8.3)

In terms of TWPs, for the six months ended 30 June 2015, the TWPs from the bancassurance, individual insurance and group insurance amounted to RMB6,587 million, RMB1,460 million and RMB6,670 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 30 June 2015, the number of sales agents for the health insurance segment was 15,003. In the first half year of 2015, first-year TWPs received per sales agent amounted to RMB4,700 per month and the number of new insurance policies sold per sales agent was 0.73 per month. The Bancassurance channel actively seized development opportunities, increased efforts in supervision and training, intensified channel cooperation relationship and continuously improved the professional skills, achieving good results for business development. The group insurance channel boosted efforts in promoting the "Zhanjiang, Taicang, Pinggu" model in relation to the government commissioned projects, implemented the combined "basic + critical illness (supplemental)" and "protection + experience" for comprehensive business development and strengthened competitive advantage, which resulted in rapid growth in TWPs and achieved a fast development in critical illness insurance business. In commercial health insurance, the health insurance segment continued to strengthen its professional ability and sales team, intensify operational management and business supervision work, and the business expansion ability was improved steadily.

3. *Premium Persistency Ratios*

The following table sets forth the 13-month and 25-month policy and premium persistency ratios for individual health insurance customers of the health insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June	
Item	**2015**	2014
13-month premium persistency ratio(1) (%)	**77.9**	82.9
25-month premium persistency ratio(2) (%)	**77.0**	64.3

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following table sets forth certain selected key financial data of the health insurance segment for the reporting period indicated:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Net earned premiums	**10,009**	11,134	(10.1)
Investment income	**1,269**	718	76.7
Other income	**46**	44	4.5
Total income	**11,275**	12,023	(6.2)
Net claims and policyholders' benefits	**9,913**	10,992	(9.8)
Handling charges and commissions	**242**	212	14.2
Finance costs	**227**	339	(33.0)
Other operating and administrative expenses	**805**	668	20.5
Total benefits, claims and expenses	**11,187**	12,210	(8.4)
Profit/(loss) before tax	**88**	(187)	–
Income tax expense	**–**	–	–
Net profit/(loss)	**88**	(187)	–

Net earned premiums

Net earned premiums of the health insurance segment decreased by 10.1% to RMB10,009 million for the six months ended 30 June 2015 from RMB11,134 million for the same period in 2014. This was mainly due to the adjustment in business structure and contraction of the high cash value business.

Investment income

Investment income from the health insurance segment increased by 76.7% to RMB1,269 million for the six months ended 30 June 2015 from RMB718 million for the same period in 2014. This was mainly due to: firstly, the seizure of opportunities in the capital market, the flexible adjustment in the proportionate position of equities and equity fund, and timely realization of financial returns; secondly, the flexible range trading of bonds, timely realization of financial returns; amplifying leverage through repurchase where appropriate, increase the efficacy of purchase which will further stabilise rate of income from holding positions.

Other income

Other income from the health insurance segment increased 4.5% to RMB46 million for the six months ended 30 June 2015 from RMB44 million for the same period in 2014. This was mainly due to the increase in income from the health management business.

Net claims and policyholders' benefits

Net claims and policyholders' benefits from the health insurance segment decreased by 9.8% to RMB9,913 million for the six months ended 30 June 2015 from RMB10,992 million for the same period in 2014. This was mainly due to the adjustment in business structure, contraction in the high cash value business and the decrease in the amount of claim reserves.

Handling charges and commissions

Handling charges and commission of the health insurance segment increased by 14.2% to RMB242 million for the six months ended 30 June 2015 from RMB212 million for the same period in 2014. This was mainly due to the adjustment in business structure and the increase in the short-term premiums.

Finance costs

Finance costs from the health insurance segment decreased by 33.0% to RMB227 million for the six months ended 30 June 2015 from RMB339 million for the same period in 2014, primarily due to the decrease in the interests credited for universal products.

Net profit

Mainly attributable to the factors mentioned above, net profit from the health insurance segment amounted to RMB88 million for the six months ended 30 June 2015 compared to net loss of RMB187 million for the same period in 2014.

Analysis of Original Premiums Income by Region

The following table sets forth the Original Premiums Income from the insurance business of the Group in the PRC by region for the reporting periods indicated:

Unit: RMB in millions

	For the Six Months Ended 30 June	
	2015	2014
Jiangsu Province	**19,041**	16,655
Guangdong Province	**17,202**	17,041
Zhejiang Province	**14,777**	13,455
Shandong Province	**14,193**	13,277
Hebei Province	**12,508**	10,752
Sichuan Province	**12,139**	11,548
Beijing City	**10,794**	10,888
Fujian Province	**9,479**	7,980
Liaoning Province	**8,777**	7,571
Hubei Province	**8,287**	8,093
Other regions	**98,734**	86,602
Total	**225,931**	203,862

Asset management business

Investment income of the asset management segment of the Group does not include the investment income generated by the investment assets managed by the asset management segment on behalf of the Group's insurance segments. The investment income generated by the investment assets managed by the asset management segment on behalf of the other segments has been included in the investment income of the relevant segment.

In the first half year of 2015, the equity linked products of the Group's asset management segment had a registered scale of RMB1,000 million, which is the only product registered in the industry; the registered scale of debt linked products was RMB14,130 million. Registered products for public sales amounted to RMB28,668 million, accounting for 79.2% of the offer size. We not only developed the traditional equity and debt products, but also developed products such as the asset based equity products in relation to the equity of Zhejiang Ant Small and Micro Financial Services Group Ltd., as well as a series of "Anxin (安心)" products. PICC AMC recorded rapid growth in the scale of entrusted third-party and the offered insurance assets management products, which recorded an increase of 58.3% to RMB169,417 million as of 30 June 2015 from RMB107,021 million as of 31 December 2014.

The following table sets forth the income statement data of the asset management segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Investment income	**439**	194	126.3
Other income	**457**	393	16.3
Total income	**896**	587	52.6
Finance costs	**7**	7	–
Other operating and administrative expenses	**326**	244	33.6
Total expenses	**333**	251	32.7
Profit before tax	**563**	331	70.1
Income tax expense	**(147)**	(109)	34.9
Net profit	**416**	222	87.4

Investment income

Investment income from the asset management segment increased by 126.3% to RMB439 million for the six months ended 30 June 2015 from RMB194 million for the same period in 2014, mainly due to the higher proportionate gains from investment in equities as a result of the capital market performing well in the first half year of 2015.

Other income

Other income from the asset management segment increased by 16.3% to RMB457 million for the six months ended 30 June 2015 from RMB393 million for the same period in 2014, mainly due to the steady growth in asset management size in the first half year of 2015.

Finance costs

Finance costs for the asset management segment for the six months ended 30 June 2015 was RMB7 million and also RMB7 million for the same period in 2014.

Net profit

Mainly attributable to the factors mentioned above, net profit of the asset management segment increased by 87.4% to RMB416 million for the six months ended 30 June 2015 from RMB222 million for the same period in 2014.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment portfolio

The following table sets forth certain information regarding the investment portfolio of the Group as of the dates indicated:

Unit: RMB in millions, except for percentages

	As of 30 June 2015		As of 31 December 2014	
Investment assets	**Carrying amount**	**(% of total)**	Carrying amount	(% of total)
Cash and cash equivalents	51,540	6.8	39,307	5.7
Fixed-income investments	413,085	54.8	414,262	59.9
Term deposits	169,749	22.5	164,408	23.8
Fixed-income securities	229,952	30.5	235,905	34.1
Government bonds	13,534	1.8	13,975	2.0
Financial bonds	108,961	14.5	113,499	16.4
Corporate bonds	107,457	14.3	108,431	15.7
Other fixed-income investments (1)	13,384	1.8	13,949	2.0
Equity and fund investments at fair value	120,434	16.0	69,224	10.0
Securities investment funds	83,178	11.0	50,227	7.3
Equity securities	37,256	4.9	18,997	2.7
Other investments	168,860	22.4	168,376	24.4
Subordinated debts and debt investment schemes	88,449	11.7	83,200	12.0
Investment in associates and a joint venture	41,346	5.5	36,128	5.2
Others (2)	39,065	5.2	49,048	7.1
Total investment assets	753,919	100.0	691,169	100.0

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) Primarily consist of investment properties, derivative financial assets, equity investments stated at cost and asset management products.

(2) Investment income

The following table sets forth certain information relating to the investment income of the Group for the reporting period indicated:

Unit: RMB in millions, except for percentages

Items	For the Six Months Ended 30 June 2015	2014
Cash and cash equivalents	306	189
Fixed-income investment	10,725	10,596
Interest income	10,601	10,562
Net realised gains/(losses)	110	(7)
Net unrealised gains/(losses)	14	41
Impairment	–	–
Equity and fund investments at fair value	13,409	797
Dividend income	2,455	2,114
Net realized gains/(losses)	10,927	30
Net unrealized gains/(losses)	40	79
Impairment	(13)	(1,426)
Other investment income/(loss)	6,094	5,098
Total investment income	30,534	16,680
Total investment yield (annualised)(1) (%)	8.8	5.1
Net investment yield (annualised)(2) (%)	5.6	5.5

(1) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) × 2.

(2) Net investment yield (annualised) = (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) × 2.

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

The liquidity of the Group is mainly derived from premiums, net investment income, cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arose from surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefits, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

Since the Group generally collects premiums before the payment of insurance claims or benefits, the cash flow from operating activities of the Group generally records a net inflow. At the same time, the Group maintained a certain proportion of assets with high liquidity to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the disposal of securities sold under agreement to repurchase and other financing methods.

As a holding company, the Company derives its cash flow mainly from investment income arising from investment activities, cash flow generated by financing activities and the dividends from its subsidiaries. The Company believes that it has sufficient liquidity to meet the foreseeable liquidity needs of the Group and the Company.

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2015	2014	(% of change)
Net cash flow from operating activities	**11,593**	20,268	(42.8)
Net cash flow used in investment activities	**(10,702)**	(20,394)	(47.5)
Net cash flow used in financing activities	**11,343**	(2,060)	–

(2) Solvency

The Group calculated and disclosed the actual capital, minimum capital and solvency margin ratio in accordance with relevant CIRC requirements. According to CIRC requirements, the solvency margin ratio of domestic insurance companies in the PRC shall reach the required level.

Unit: RMB in millions, except for percentages

	As of 30 June 2015	As of 31 December 2014	(% of change)
PICC Group			
Actual capital	**137,151**	127,194	7.8
Minimum capital	**77,454**	70,004	10.6
Solvency margin ratio (%)	**177**	182	Decrease of 5 pt
PICC P&C			
Actual capital	**80,062**	79,440	0.8
Minimum capital	**35,496**	33,290	6.6
Solvency margin ratio (%)	**226**	239	Decrease of 13 pt
PICC Life			
Actual capital	**37,808**	34,654	9.1
Minimum capital	**12,231**	11,529	6.1
Solvency margin ratio (%)	**309**	301	Increase of 8 pt
PICC Health			
Actual capital	**3,463**	3,206	8.0
Minimum capital	**1,718**	1,718	–
Solvency margin ratio (%)	**202**	187	Increase of 15 pt

As of 30 June 2015, the solvency margin ratio of the Group was 177%, representing a decrease of 5 percentage points as compared to that as of 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 30 June 2015, the solvency margin ratio of PICC P&C was 226%, representing a decrease of 13 percentage points as compared to that as of 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 309%, representing an increase of 8 percentage points as compared to that as of 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 202%, representing an increase of 15 percentage points as compared to that as of 31 December 2014 and remained in the Adequate Solvency II category as classified by the CIRC.

PROSPECTS

(1) Market Environment

During the first half of 2015, China's insurance industry maintained a rapid development momentum. According to the information released by the CIRC, the Original Premiums income of China's insurance industry amounted to about RMB1.4 trillion for the first half of 2015, representing an increase of 19.3% as compared with the same period of last year, in which, the Original Premiums Income of the P&C insurance companies and life and health insurance companies recorded an increase of 11.8% and 23.0%, respectively, as compared with the same period of last year; by the end of June 2015, total insurance assets of the insurance industry in China amounted to RMB11.4 trillion, representing an increase of 12.5% as compared with the beginning of 2015.

Since the beginning of the year, the central government has launched a series of policies in order to stabilise growth, promote reform, adjust structure and improve people's well-being. The frequency of launching and strength of such policies are unprecedented. They will have profound influence in the insurance industry. First, the central government focuses on accelerating the modernization of agricultural sector and speeding up the transformation of development mode of agriculture. It specifically proposed the active development of insurance for prices of agricultural product as test point, the extension of agricultural industrial chain and the raise of the added value of agriculture, which provide a new direction for advancing the innovation of insurance products and services for agriculture, rural areas and farmers. Second, the central government has launched policy initiatives which include entrepreneurship and innovation by people and China manufacturing 2025 to accelerate the implementation of innovation-driven development strategy and advance the structural optimization and upgrade of industries, which provide opportunities for the insurance industry to explore business areas in respect of the research and development risks, commercialization risks and financial needs related to venture and innovation. Third, the implementation of "One Belt One Road", the coordinated development of Beijing, Tianjin and Hebei and the development strategies of key regions such as the Yangtze River economic belt will facilitate regional reallocation of key constituents such as industries, capital, which will give rise to new development and investment opportunities for the insurance industry. Fourth, the government has deepened healthcare system reform and launched key initiatives such as full implementation of critical illness insurance for urban and rural residents, and health insurance with tax incentives, which create significant policy initiatives for the in depth participation of the insurance industry in the healthcare system reform.

(2) Key Work

In the second half of the year, the Company will fully speed up the transformation into customer-oriented system and continue to base on the key aspiration of "Further reform and innovation, maintenance of stable growth and emphasizing value creation". It will adhere to benchmarking against first class targets, enhance development quality and strengthen development capability with innovation, constantly reinforce the excellent momentum of the Group's business development and value growth, and ensure the successful accomplishment of annual targets. First, the Company will grasp the direction of policies, accurately select the points of integration with policies and seize opportunities under the overall condition of proactive coherence with policies and serving economic and social development. Second, it will increase effort to tackle key issues, which include speeding up the establishment of the Group's unified large data system, promoting the integration of marketing resources, strengthening the joint establishment of rural network and sharing of community outlets, and further intensifying integration and restructuring to achieve actual breakthrough in the construction of chain for the Group's business values. Third, it will put more effort in innovation and achieve breakthrough by substantially advancing the business model of integrating the Group's traditional advantages and the internet. Fourth, it will strengthen the coordination to promote and deepen strategy and business coordination, jointly lay the foundation and share resources between various regions of the Group so as to strive for new achievements in fundamental operation coordination and integration of resources. Fifth, it will push ahead the establishment of compliance system, strengthen the rule of systems and accountability and fully enhance the standard of compliance and risk prevention of the Group.

NO MATERIAL CHANGES

Save as disclosed in this interim report, from 1 January 2015 to 30 June 2015, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with IFRS. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under IFRS, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of half year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2015, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2015, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of half year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of half year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE OF PICC LIFE INSURANCE COMPANY LIMITED

PICC Life has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 30 June 2015. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and half year's new business value as of 30 June 2015;
- Review the assumptions of the embedded value and half year's new business value as of 30 June 2015;
- Review the various embedded value results as of 30 June 2015, including the embedded value, half year's new business value, and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- Review the half year's new business value as of 30 June 2014 (based on the assumptions and required capital as of 31 December 2014).

BASIS OF OPINION, RELIANCES AND LIMITATION

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Life.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Life, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Life in accordance with the terms of our engagement letter. We have agreed that PICC Life can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Life have been set with regard to current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions used by PICC Life have been set with regard to past experiences and the expectation of future experiences;

- The embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

For Deloitte Consulting (Shanghai) Co. Ltd., Beijing Branch

Eric Lu
FIAA, FCAA

30 JUNE 2015 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business ("VIF"):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC's actuarial requirement instead of the accounting report basis;

- **Cost of Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of Half Year's New Business ("VHNB"):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified half-year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of Half Year's New Business;

- **Expense Overrun:** the amount of actual expense in excess of the assumed expense.

1.2 *Methodology*

PICC Life has determined the Embedded Value and Value of Half Year's New Business based on the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Life has used the traditional embedded value approach. Both Value of In-Force Business and Value of Half Year's New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of Half Year's New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. Results Summary

2.1 *Overall Results*

Table 2.1.1 Embedded Value of PICC Life as at 30 June 2015 *(Unit: RMB million)*

Risk Discount Rate	10.0%
Value of In-Force Business before CoC	18,583
Cost of Capital	(908)
Value of In-Force Business after CoC	17,676
Adjusted Net Worth	36,809
Embedded Value	54,484

Note: Figures may not add up due to rounding.

Table 2.1.2 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2015 *(Unit: RMB million)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	2,977
Cost of Capital	(278)
Value of Half Year's New Business after CoC	2,699

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2015 is based on the assumption and capital requirement as of 30 June 2015.

Table 2.1.3 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2014 *(Unit: RMB millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	2,622
Cost of Capital	(229)
Value of Half Year's New Business after CoC	**2,393**

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2014 is based on the assumption and capital requirement as of 31 December 2014.

2.2 *Results by Distribution Channels*

PICC Life split the Value of Half Year's New Business by distribution channel. The results of the Value of Half Year's New Business by distribution channel as of 30 June 2015 and 30 June 2014 are summarized in Table 2.2.1 and Table 2.2.2.

Table 2.2.1 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2015 by Distribution Channel *(Unit: RMB million)*

Risk Discount Rate	10.0%				
Distribution Channel	Bancassurance channel	Individual insurance agent channel	Group sales channel	Reinsurance	Total
Value of Half Year's New Business after CoC	957	1,397	321	24	2,699

Note: Figures may not add up due to rounding.

Table 2.2.2 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2014 by Distribution Channel *(Unit: RMB million)*

Risk Discount Rate	10.0%				
Distribution Channel	Bancassurance channel	Individual insurance agent channel	Group sales channel	Reinsurance	Total
Value of Half Year's New Business after CoC	1,222	795	361	14	2,393

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of Half Year's New Business, the expense assumptions used by PICC Life represent the expected long-term expense level in the future. As the operating history of PICC Life is not long, the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. Assumptions

The assumptions below are used for the valuation of the Embedded Value and Value of Half Year's New Business as of 30 June 2015.

3.1 Risk Discount Rate

A 10% risk discount rates has been used to calculate the Embedded Value and Value of Half Year's New Business.

3.2 Rate of Investment Return

A 5.75% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Life. The impact on the Value of In-Force Business and Value of Half Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity test.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and the reinsurance rates obtained by PICC Life.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 27% to 63% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8 Tax

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. Sensitivity Tests

PICC Life has conducted sensitivity tests on the Embedded Value and Value of Half Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Life as at 30 June 2015 under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	18,583	17,676
Risk Discount Rate at 9%	19,835	18,990
Risk Discount Rate at 11%	17,504	16,549
Investment rate of return plus 50 bps	22,074	21,336
Investment rate of return less 50 bps	15,116	14,038
Expenses increased by 10%	18,364	17,457
Expenses reduced by 10%	18,802	17,894
Lapse rates increased by 10%	17,795	17,017
Lapse rates reduced by 10%	19,378	18,340
Mortality increased by 10%	18,439	17,534
Mortality reduced by 10%	18,729	17,818
Morbidity increased by 10%	18,524	17,617
Morbidity reduced by 10%	18,642	17,734
Short-term business claim ratio increased by 10%	18,528	17,621
Short-term business claim ratio reduced by 10%	18,638	17,730
Participating Ratio 80/20	17,706	16,798
150% of Minimum Solvency Requirement	18,583	16,572
Taxable Income Based on China Accounting Standards	17,986	17,079

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

Table 4.2 Value of Half Year's New Business for the 6 months up to 30 June 2015 of PICC Life under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	2,977	2,699
Risk Discount Rate at 9%	3,270	3,020
Risk Discount Rate at 11%	2,725	2,423
Investment rate of return plus 50 bps	4,063	3,830
Investment rate of return less 50 bps	1,893	1,568
Expenses increased by 10%	2,704	2,426
Expenses reduced by 10%	3,251	2,972
Lapse rates increased by 10%	2,616	2,397
Lapse rates reduced by 10%	3,337	3,000
Mortality increased by 10%	2,945	2,667
Mortality reduced by 10%	3,010	2,730
Morbidity increased by 10%	2,954	2,676
Morbidity reduced by 10%	3,000	2,722
Short-term business claim ratio increased by 10%	2,917	2,639
Short-term business claim ratio reduced by 10%	3,037	2,759
Participating Ratio (80/20)	2,932	2,654
150% of Minimum Solvency Requirement	2,977	2,404
Taxable Income Based on China Accounting Standards	2,752	2,473

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE OF PICC HEALTH INSURANCE COMPANY LIMITED

PICC Health has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 30 June 2015. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and half year's new business value as of 30 June 2015;
- Review the assumptions of the embedded value and half year's new business value as of 30 June 2015;
- Review the various embedded value results as of 30 June 2015, including the embedded value, half year's new business value, and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions.
- Review the half year's new business value as of 30 June 2014 (based on the assumptions and required capital as of 31 December 2014).

BASIS OF OPINION, RELIANCES AND LIMITATION

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Health.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Health, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Health in accordance with the terms of our engagement letter. We have agreed that PICC Health can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Health have been set with regard to current investment market conditions and the investment strategy of PICC Health;

- The operating assumptions used by PICC Health have been set with regard to past experiences and the expectation of future experiences;

- The embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

For Deloitte Consulting (Shanghai) Co. Ltd., Beijing Branch

Eric Lu
FIAA, FCAA

30 JUNE 2015 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business ("VIF"):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC's actuarial requirement instead of the accounting report basis;

- **Cost of Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of Half Year's New Business ("VHNB"):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified half-year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of Half Year's New Business;

- **Expense Overrun:** the amount of actual expense in excess of the assumed expense.

1.2 Methodology

PICC Health has determined the Embedded Value and Value of Half Year's New Business based on the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Health has used the traditional embedded value approach. Both Value of In-Force Business and Value of Half Year's New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of Half Year's New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. Results Summary

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Health as of 30 June 2015 *(Unit: RMB Million)*

Risk Discount Rate	10.0%
Value of In-Force Business before CoC	1,565
Cost of Capital	(190)
Value of In-Force Business after CoC	1,376
Adjusted Net Worth	3,659
Embedded Value	5,035

Note: Figures may not add up due to rounding.

Table 2.1.2 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2015 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	274
Cost of Capital	(39)
Value of Half Year's New Business after CoC	235

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2015 is based on the assumption and capital requirement as of 30 June 2015.

Table 2.1.3 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2014 *(Unit: RMB million)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	231
Cost of Capital	(30)
Value of Half Year's New Business after CoC	201

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2014 is based on the assumption and capital requirement as of 31 December 2014.

2.2 *Results by Distribution Channels*

PICC Health split the Value of Half Year's New Business by distribution channel. The results of the Value of Half Year's New Business by distribution channel as of 30 June 2015 and 30 June 2014 are summarized in Table 2.2.1 and Table 2.2.2.

Table 2.2.1 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2015 by Distribution Channel *(Unit: RMB million)*

Risk Discount Rate	10.0%				
Distribution Channel	Bancassurance channel	Individual insurance agent channel	Group sales channel	Reinsurance	Total
Value of Half Year's New Business after CoC	52	97	86	–	235

Note: Figures may not add up due to rounding.

Table 2.2.2 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2014 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	10.0%				
Distribution Channel	Bancassurance channel	Individual insurance agent channel	Group sales channel	Reinsurance	Total
Value of Half Year's New Business after CoC	69	26	105	–	201

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of Half Year's New Business, the expense assumptions used by PICC Health represent the expected long-term expense level in the future. As the operating history of PICC Health is not long, the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. Assumptions

The assumptions below are used for the valuation of the Embedded Value and Value of Half Year's New Business as of 30 June 2015.

3.1 Risk Discount Rate

A 10% risk discount rates has been used to calculate the Embedded Value and Value of Half Year's New Business.

3.2 Rate of Investment Return

A 5.75% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Health. The impact on the Value of In-Force Business and Value of Half Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity tests.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 22% to 98% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8 Tax

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. Sensitivity Tests

PICC Health has conducted sensitivity tests on the Embedded Value and Value of Half Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Health as of 30 June 2015 under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	1,565	1,376
Risk Discount Rate at 9%	1,660	1,493
Risk Discount Rate at 11%	1,481	1,273
Investment rate of return plus 50 bps	1,863	1,694
Investment rate of return less 50 bps	1,267	1,057
Expenses increased by 10%	1,481	1,292
Expenses reduced by 10%	1,649	1,459
Lapse rates increased by 10%	1,511	1,336
Lapse rates reduced by 10%	1,644	1,437
Mortality increased by 10%	1,557	1,368
Mortality reduced by 10%	1,573	1,383
Morbidity increased by 10%	1,549	1,359
Morbidity reduced by 10%	1,582	1,392
Short-term business claim ratio increased by 10%	977	788
Short-term business claim ratio reduced by 10%	2,253	2,064
Participating Ratio (80/20)	1,534	1,345
150% of Minimum Solvency Requirement	1,565	1,236
Taxable Income Based on China Accounting Standards	1,552	1,362

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

Table 4.2 Value of Half Year's New Business for the 6 months up to 30 June 2015 of PICC Health under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	274	235
Risk Discount Rate at 9%	289	255
Risk Discount Rate at 11%	260	216
Investment rate of return plus 50 bps	330	295
Investment rate of return less 50 bps	217	174
Expenses increased by 10%	243	204
Expenses reduced by 10%	305	266
Lapse rates increased by 10%	248	213
Lapse rates reduced by 10%	318	273
Mortality increased by 10%	273	235
Mortality reduced by 10%	274	235
Morbidity increased by 10%	272	233
Morbidity reduced by 10%	275	236
Short-term business claim ratio increased by 10%	72	33
Short-term business claim ratio reduced by 10%	476	437
Participating Ratio (80/20)	272	234
150% of Minimum Solvency Requirement	274	206
Taxable Income Based on China Accounting Standards	266	227

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and 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 International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 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 International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. 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 International 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 IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2015

Condensed Consolidated Income Statement

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Gross written premiums	4	**226,928**	204,544
Less: premiums ceded to reinsurers	4	**(17,192)**	(18,163)
Net written premiums	4	**209,736**	186,381
Change in unearned premium reserves		**(16,244)**	(17,195)
Net earned premiums		**193,492**	169,186
Reinsurance commission income		**5,206**	5,055
Investment income	5	**27,605**	14,145
Other income	6	**1,013**	929
TOTAL INCOME		**227,316**	189,315
Life insurance death and other benefits paid		**63,427**	43,931
Claims incurred		**82,075**	74,255
Changes in long-term life insurance contract liabilities		**14,128**	23,753
Policyholder dividends		**2,534**	2,566
Claims and policyholders' benefits:	7	**162,164**	144,505
Less: claims and policyholders' benefits ceded to reinsurers	7	**(8,344)**	(9,909)
Net claims and policyholders' benefits	7	**153,820**	134,596
Handling charges and commissions		**16,821**	13,311
Finance costs	8	**2,276**	2,770
Exchange losses/(gains), net		**–**	(144)
Other operating and administrative expenses	9	**34,961**	29,355
TOTAL BENEFITS, CLAIMS AND EXPENSES		**207,878**	179,888
Share of profits and losses of associates		**2,929**	2,535
PROFIT BEFORE TAX	10	**22,367**	11,962
Income tax expense	11	**(4,335)**	(2,710)
PROFIT FOR THE PERIOD		**18,032**	9,252
Attributable to:			
Equity holders of the parent		**12,821**	6,614
Non-controlling interests		**5,211**	2,638
		18,032	9,252
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
– Basic (in RMB)	13	**0.30**	0.16

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
PROFIT FOR THE PERIOD		**18,032**	9,252
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**18,723**	2,467
– Reclassification of gains to profit on disposals		**(10,742)**	(14)
– Impairment losses	5(d)	**13**	1,426
Income tax effect		**(1,837)**	(504)
		6,157	3,375
Net (losses)/gains on cash flow hedges		**(1)**	20
Income tax effect		**–**	(5)
		(1)	15
Exchange differences on translating foreign operations		**8**	9
NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**6,164**	3,399
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	21	**101**	195
Income tax effect		**(25)**	(49)
		76	146
Actuarial losses on pension benefit obligation		**(46)**	(223)
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**30**	(77)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**6,194**	3,322
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**24,226**	12,574
Attributable to:			
– Equity holders of the parent		**17,586**	9,092
– Non-controlling interests		**6,640**	3,482
		24,226	12,574

Condensed Consolidated Statement of Financial Position

As at 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2015 (Unaudited)**	31 December 2014 (Audited)
ASSETS			
Cash and cash equivalents	14	**51,540**	39,307
Derivative financial assets	15	**21**	23
Debt securities	16	**229,952**	235,905
Equity securities, mutual funds and trust schemes	17	**139,748**	92,637
Insurance receivables, net	18	**41,185**	18,475
Reinsurance assets	19, 25	**26,864**	25,857
Term deposits		**169,749**	164,408
Restricted statutory deposits		**9,714**	9,346
Investments in associates and a joint venture	20	**41,346**	36,128
Investment properties	21	**10,801**	10,682
Property and equipment	22	**22,386**	21,590
Intangible assets		**750**	808
Prepaid land premiums		**3,879**	3,902
Deferred tax assets		**2,724**	1,086
Other assets	23	**121,459**	122,067
TOTAL ASSETS		**872,118**	782,221
LIABILITIES			
Securities sold under agreements to repurchase		**54,655**	35,488
Derivative financial liabilities	15	**1**	2
Income tax payable		**3,562**	979
Due to banks and other financial institutions	24	**886**	687
Subordinated debts		**41,635**	47,914
Insurance contract liabilities	25	**518,687**	478,640
Investment contract liabilities for policyholders	26	**25,683**	25,520
Policyholder dividends payable		**8,131**	7,966
Pension benefit obligation		**2,834**	2,862
Deferred tax liabilities		**2,077**	915
Other liabilities	27	**66,141**	55,671
TOTAL LIABILITIES		**724,292**	656,644
EQUITY			
Issued capital	28	**42,424**	42,424
Reserves		**67,376**	50,157
Equity attributable to equity holders of the parent		**109,800**	92,581
Non-controlling interests		**38,026**	32,996
TOTAL EQUITY		**147,826**	125,577
TOTAL EQUITY AND LIABILITIES		**872,118**	782,221

DIRECTOR *DIRECTOR*

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent													
	Share capital *(note 28)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Foreign currency translation reserve	Surplus reserve fund*	Other reserves**	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance as at 1 January 2015 (Audited)	42,424	19,925	2,142	4,011	497	1,966	5	(96)	802	(15,065)	35,970	92,581	32,996	125,577
Profit for the period	–	–	–	–	–	–	–	–	–	–	12,821	12,821	5,211	18,032
Other comprehensive income/(expense)	–	–	4,753	–	–	52	(1)	7	–	–	(46)	4,765	1,429	6,194
Total comprehensive income/(expense)	–	–	4,753	–	–	52	(1)	7	–	–	12,775	17,586	6,640	24,226
Dividends paid to shareholders *(note 12)*	–	–	–	–	–	–	–	–	–	–	(402)	(402)	(1,345)	(1,747)
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	35	–	35	(265)	(230)
Balance as at 30 June 2015 (Unaudited)	42,424	19,925	6,895	4,011	497	2,018	4	(89)	802	(15,030)	48,343	109,800	38,026	147,826

* This reserve contains both statutory and discretionary surplus reserves.

** Other reserves contain an amount of RMB65 million (31 December 2014: RMB30 million) arising from transactions with non-controlling interests, a negative amount of RMB17,942 million (31 December 2014: a negative amount of RMB17,942 million) arising from elimination of asset revaluation of the Company when it was converted to a joint stock company and an amount of RMB2,847 million (31 December 2014: RMB2,847 million) arising from a major shareholder ‘s undertaking to post-employment benefit obligations of the Company.

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent												
	Share capital *(note 28)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Asset revaluation	Cash flow hedge	Foreign currency translation reserve	Surplus reserve fund*	Other reserves**	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance as at 1 January 2014 (Audited)	42,424	19,925	(6,300)	2,845	1,716	(3)	(105)	579	(14,989)	25,483	71,575	23,226	94,801
Profit for the period	–	–	–	–	–	–	–	–	–	6,614	6,614	2,638	9,252
Other comprehensive income/(expense)	–	–	2,582	–	102	10	7	–	–	(223)	2,478	844	3,322
Total comprehensive income	–	–	2,582	–	102	10	7	–	–	6,391	9,092	3,482	12,574
Dividends paid to shareholders *(note 12)*	–	–	–	–	–	–	–	–	–	(352)	(352)	(976)	(1,328)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	25	25
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	(75)	–	(75)	75	–
Balance as at 30 June 2014 (Unaudited)	42,424	19,925	(3,718)	2,845	1,818	7	(98)	579	(15,064)	31,522	80,240	25,832	106,072

* This reserve contains both statutory and discretionary surplus reserves.

** Other reserves contain an amount of RMB31 million (31 December 2013: RMB106 million) arising from transactions with non-controlling interests, a negative amount of RMB17,942 million (31 December 2013: a negative amount of RMB17,942 million) arising from elimination of asset revaluation of the Company when it was converted to a joint stock company and an amount of RMB2,847 million (31 December 2013: RMB2,847 million) arising from a major shareholder 's undertaking to post-employment benefit obligations of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	15,683	22,458
Income tax paid	(4,090)	(2,190)
Net cash flows from operating activities	11,593	20,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,146)	(1,474)
Proceeds from disposals of investment properties, plants and equipment and intangible assets	204	63
Purchases of investments, associates and a joint venture	(141,157)	(95,233)
Proceeds from sale of investments	118,751	84,237
Interest received	13,512	13,140
Dividends received	3,800	3,260
Rentals received	191	122
Placement of deposits with banks with original maturity of more than three months	(11,978)	(36,667)
Maturity of deposits with banks with original maturity of more than three months	6,639	11,743
Others	482	415
Net cash flows used in investing activities	(10,702)	(20,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in securities sold under agreements to repurchase	19,167	1,822
Proceeds from banks and other financial institutions	209	121
Repayment of subordinated debts	(6,010)	(1,906)
Interests paid	(1,979)	(1,808)
Dividends paid	(44)	(289)
Net cash flows from/(used in) financing activities	11,343	(2,060)
Net increase/(decrease) in cash and cash equivalents	12,234	(2,186)
Cash and cash equivalents as at the beginning of the period	39,307	46,607
Effects of exchange rate changes on cash and cash equivalents	(1)	4
Cash and cash equivalents as at the end of the period	51,540	44,425
Analysis of balances of cash and cash equivalents:		
Cash on hand	2	3
Securities purchased under resale agreements with original maturity of less than three months	6,607	2,773
Demand deposits and deposits with banks with original maturity of less than three months	44,931	41,649
Cash and cash equivalents at end of the period	51,540	44,425

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at No. 69, Dongheyan Street, Xuanwu District, Beijing 100052, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC ("MOF").

The Company is an investment holding company. During the six months ended 30 June 2015, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board, and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

The following amendments to International Financial Reporting Standards ("IFRS") became effective for the current accounting period:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

None of the above amendments to IFRSs, however, are expected to have a material impact on the financial position or performance of the Group for the six months ended 30 June 2015.

3. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

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

- The non-life insurance segment offers a wide variety of insurance products to both personal and corporate customers including automobile insurance, agricultural, property and liabilities insurance.
- The life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products.
- The health insurance segment offers a wide range of health and medical insurance products.
- The asset management segment comprises asset management services.
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal, and human resources functions.
- The "others" segment comprises other operating and insurance agent business of the Group.

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 segment profit/(loss).

As the revenue, net profit, assets and liabilities of operations outside Mainland China constitutes less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions agreed by the relevant parties within the Group.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2015:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	116,015	67,468	10,009	–	–	–	–	193,492
Reinsurance commission income	5,238	17	(49)	–	–	–	–	5,206
Investment income	12,633	13,037	1,269	439	3,579	2	(3,354)	27,605
Other income	536	160	46	457	18	184	(388)	1,013
TOTAL INCOME – SEGMENT REVENUE	134,422	80,682	11,275	896	3,597	186	(3,742)	227,316
– External income	134,364	80,640	11,273	672	306	61	–	227,316
– Intersegment income	58	42	2	224	3,291	125	(3,742)	–
Net claims and policyholders' benefits	71,293	72,614	9,913	–	–	–	–	153,820
Handling charges and commissions	14,190	2,575	242	–	–	–	(186)	16,821
Finance costs	788	787	227	7	452	15	–	2,276
Exchange losses, net	18	(20)	–	–	2	–	–	–
Other operating and administrative expenses	30,510	3,039	805	326	297	224	(240)	34,961
TOTAL BENEFITS, CLAIMS AND EXPENSES	116,799	78,995	11,187	333	751	239	(426)	207,878
Share of profits and losses of associates	1,552	1,162	–	–	441	–	(226)	2,929
PROFIT/(LOSS) BEFORE TAX	19,175	2,849	88	563	3,287	(53)	(3,542)	22,367
Income tax (expense)/credit	(4,116)	(194)	–	(147)	103	–	19	(4,335)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	15,059	2,655	88	416	3,390	(53)	(3,523)	18,032

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2014:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	99,953	58,124	11,134	–	–	–	(25)	169,186
Reinsurance commission income	4,913	15	127	–	–	–	–	5,055
Investment income	5,048	7,926	718	194	2,617	2	(2,360)	14,145
Other income	498	154	44	393	7	183	(350)	929
TOTAL INCOME – SEGMENT REVENUE	110,412	66,219	12,023	587	2,624	185	(2,735)	189,315
– External income	110,378	66,181	12,012	315	322	107	–	189,315
– Intersegment income	34	38	11	272	2,302	78	(2,735)	–
Net claims and policyholders' benefits	62,387	61,217	10,992	–	–	–	–	134,596
Handling charges and commissions	11,421	1,797	212	–	–	–	(119)	13,311
Finance costs	923	962	339	7	525	14	–	2,770
Exchange gains, net	(63)	(44)	(1)	–	(36)	–	–	(144)
Other operating and administrative expenses	25,983	2,276	668	244	236	211	(263)	29,355
TOTAL BENEFITS, CLAIMS AND EXPENSES	100,651	66,208	12,210	251	725	225	(382)	179,888
Share of profits and losses of associates	1,177	1,055	–	(5)	397	–	(89)	2,535
PROFIT/(LOSS) BEFORE TAX	10,938	1,066	(187)	331	2,296	(40)	(2,442)	11,962
Income tax (expense)/credit	(2,479)	(40)	–	(109)	(79)	–	(3)	(2,710)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	8,459	1,026	(187)	222	2,217	(40)	(2,445)	9,252

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
30 June 2015 (Unaudited)								
Segment assets	**427,366**	**381,859**	**34,181**	**8,833**	**106,064**	**5,833**	**(92,018)**	**872,118**
Segment liabilities	**326,668**	**346,847**	**30,463**	**1,661**	**20,225**	**2,102**	**(3,674)**	**724,292**
31 December 2014 (Audited)								
Segment assets	365,846	354,044	33,605	8,216	103,438	5,654	(88,582)	782,221
Segment liabilities	280,372	323,756	30,267	1,891	20,765	1,879	(2,286)	656,644

The headquarters, non-life insurance and life insurance segments hold equity interests of 0.91%, 4.98% and 4.98%, respectively, in an associate. These interests are accounted for as available-for-sale financial assets in the financial statements of the Company and a principal subsidiary. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

4. GROSS AND NET WRITTEN PREMIUMS

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
(a) Gross written premiums		
Long-term life insurance premiums	**73,867**	66,185
Short-term life insurance premiums	**6,761**	6,197
Non-life insurance premiums	**146,300**	132,162
Total	**226,928**	204,544
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	**(176)**	(134)
Short-term life insurance premiums ceded to reinsurers	**(1,323)**	(1,438)
Non-life insurance premiums ceded to reinsurers	**(15,693)**	(16,591)
Total	**(17,192)**	(18,163)
Net written premiums	**209,736**	186,381

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Dividend, interest and rental income (a)	16,454	15,406
Realised gains (b)	11,037	42
Fair value gains (c)	127	123
Impairment losses (d)	(13)	(1,426)
Total	27,605	14,145

(a) Dividend, interest and rental income

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Operating lease income from investment properties	191	122
Interest income		
Current and term deposits	4,874	4,535
Debt securities		
– Held-to-maturity	3,017	3,009
– Available-for-sale	2,637	2,873
– Held for trading	52	51
Derivative financial assets	16	3
Other loans and receivables	3,212	2,669
Subtotal	13,808	13,140
Dividend income		
Equity securities and mutual funds		
– Available-for-sale	2,152	1,703
– Held for trading	303	441
Subtotal	2,455	2,144
Total	16,454	15,406

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(b) Realised gains

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Debt securities		
– Available-for-sale	**90**	(7)
– Held for trading	**20**	–
Equity securities and mutual funds		
– Available-for-sale	**10,652**	21
– Held for trading	**275**	28
Total	**11,037**	42

(c) Fair value gains

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Debt securities		
– Held for trading	**14**	41
Equity securities and mutual funds		
– Held for trading	**40**	79
Investment properties *(note 21)*	**73**	3
Total	**127**	123

(d) Impairment losses

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Equity securities		
– Available-for-sale	**(13)**	(1,426)

(Amounts in millions of Renminbi, unless otherwise stated)

6. OTHER INCOME

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Management fee charged to policyholders	117	135
Disposal gains from property and equipment *(note 22)*	72	22
Government grants	61	107
Others	763	665
Total	1,013	929

7. CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2015		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	63,427	9	63,418
Claims incurred	82,075	8,326	73,749
– Short-term life insurance	3,339	884	2,455
– Non-life insurance	78,736	7,442	71,294
Changes in long-term life insurance contract liabilities	14,128	9	14,119
Policyholder dividends	2,534	–	2,534
Total	162,164	8,344	153,820

	Six months ended 30 June 2014		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	43,931	3	43,928
Claims incurred	74,255	9,912	64,343
– Short-term life insurance	2,798	843	1,955
– Non-life insurance	71,457	9,069	62,388
Changes in long-term life insurance contract liabilities	23,753	(6)	23,759
Policyholder dividends	2,566	–	2,566
Total	144,505	9,909	134,596

(Amounts in millions of Renminbi, unless otherwise stated)

8. FINANCE COSTS

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Interest expenses		
Securities sold under agreements to repurchase	629	662
Subordinated debts	975	1,241
Due to banks and other financial institutions	24	21
Interest credited to policyholders *(note 26)*	605	793
Pension benefit obligation unwound	52	60
Less: amounts capitalised in qualifying assets	(9)	(7)
Total	2,276	2,770

9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Employee costs	13,731	11,384
Business taxes and surcharges	7,592	6,414
Depreciation and amortisation	1,060	1,036
Insurance guarantee fund	1,342	1,210
Impairment losses *(note 10)*	548	102
Others	10,688	9,209
TOTAL	34,961	29,355

(Amounts in millions of Renminbi, unless otherwise stated)

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Employee costs *(note)*	**16,614**	13,689
Depreciation of property and equipment *(note)*	**1,060**	1,062
Impairment losses recognised on insurance receivables *(note 18)*	**544**	102
Impairment losses recognised on other assets	**4**	–
Minimum lease payments under operating leases in respect of land and buildings	**374**	392
Amortisation of intangible assets and prepaid land premiums *(note)*	**146**	120

Note: Certain employee costs, depreciation and amortisation are recorded as claim handling expenses and are not included in other operating and administrative expenses.

11. INCOME TAX EXPENSE

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Current income tax		
– Charge for the period	**6,660**	2,848
– Adjustments in respect of current tax of previous periods	**13**	23
Deferred income tax	**(2,338)**	(161)
Total	**4,335**	2,710

In accordance with the relevant PRC enterprise income tax rules and regulations, the Company and the Company's subsidiaries registered in the PRC are subject to corporate income tax at the statutory rate of 25% (six months ended 30 June 2014: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIVIDEND

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Final dividends recognised as distribution during the period:		
Year 2013 Final – RMB 0.83 cent per share	–	352
Year 2014 Final – RMB 0.94671 cent per share	402	–

The Company has determined that no interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil) will be paid.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2015 and the six months ended 30 June 2014 is based on the profit attributable to equity holders of the parent and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Profit attributable to equity holders of the parent for the period	12,821	6,614
Number of ordinary shares (in million shares)	42,424	42,424
Basic earnings per share (in RMB)	0.30	0.16

No diluted earnings per share has been presented for the six months ended 30 June 2015 and 2014 as the Group had no potential ordinary shares in issue during the periods.

14. CASH AND CASH EQUIVALENTS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash on hand	2	1
Money at call and short notice	41,195	33,175
Securities purchased under resale agreements with original maturity of less than three months	6,607	5,636
Deposits with banks with original maturity of less than three months	3,736	495
Total	51,540	39,307

(Amounts in millions of Renminbi, unless otherwise stated)

15. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

(Unaudited)	30 June 2015 Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	**2,800**	**21**	**(1)**

(Audited)	31 December 2014 Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	5,600	23	(2)

Interest rate swaps are stated at fair values.

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

16. DEBT SECURITIES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Classification of debt securities		
Held for trading, at fair value		
– Government bonds	**256**	253
– Corporate bonds	**1,813**	444
– Financial bonds	**582**	1,245
Available-for-sale, at fair value		
– Government bonds	**7,439**	7,883
– Corporate bonds	**69,283**	72,991
– Financial bonds	**26,363**	28,840
Held-to-maturity, at amortised cost		
– Government bonds	**5,839**	5,839
– Corporate bonds	**36,361**	34,996
– Financial bonds	**82,016**	83,414
Total debt securities	**229,952**	235,905
Listed debt securities		
– Hong Kong	**345**	833
– Elsewhere	**38,728**	39,258
Unlisted debt securities	**190,879**	195,814
Total debt securities	**229,952**	235,905

(Amounts in millions of Renminbi, unless otherwise stated)

17. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Investments, at fair value		
Mutual funds	83,178	50,227
Shares	28,869	14,922
Preference shares	8,387	4,075
Subtotal	120,434	69,224
Investments, at cost less impairment		
Shares	3,301	3,113
Total equity securities and mutual funds	123,735	72,337
Trust schemes	16,013	20,300
Classification of equity securities and mutual funds		
Held for trading, at fair value		
– issued by banks and other financial institutions	9,525	15,595
– issued by corporate entities	15	15
Available-for-sale, at fair value		
– issued by banks and other financial institutions	90,973	42,038
– issued by corporate entities	19,015	10,924
– issued by public sector entities	683	482
– issued by others	223	170
Available-for-sale, at cost less impairment		
– issued by banks and other financial institutions	2,835	3,033
– issued by corporate entities	466	80
Total equity securities and mutual funds	123,735	72,337
Classification of trust schemes		
Available-for-sale		
– issued by banks and other financial institutions	16,013	20,300
Listed equity securities, mutual funds and trust schemes		
– Hong Kong	3,219	2,794
– Elsewhere	40,228	13,880
Unlisted equity securities, mutual funds and trust schemes	96,301	75,963
Total equity securities, mutual funds and trust schemes	139,748	92,637

(Amounts in millions of Renminbi, unless otherwise stated)

17. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES *(continued)*

As at 30 June 2015, the Group is the sole funding provider of a trust investment of carrying value of RMB16,013 million (31 December 2014: RMB20,300 million). The Group concludes it does not control this trust as investment decisions are made by a trust manager, which can only be removed in limited situations.

The trust invests in predominantly debt instruments and it offers the Group an expected return of not more than 7.50% (31 December 2014: 7.50%). Its actual returns and eventual repayment of initial investments, however, depend on the performance underlying investments, which are predominantly debts in nature. The Group received returns at 7.50% (year ended 31 December 2014: 7.50%) from this trust for the six months ended 30 June 2015. The life of this trust arrangement is 5 years but can be extended for another 2 years upon mutual consent. The Group's maximum loss is limited to its investments and has no contractual obligations or intention to provide any financial support to the trust.

18. INSURANCE RECEIVABLES, NET

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Insurance receivables	**44,347**	21,164
Less: impairment provision on insurance receivables	**(3,162)**	(2,689)
Total	**41,185**	18,475

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

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
At the beginning of the period	**2,689**	2,313
Impairment losses recognised *(note 10)*	**544**	102
Amount written off as uncollectible	**(71)**	(15)
At the end of the period	**3,162**	2,400

(Amounts in millions of Renminbi, unless otherwise stated)

18. INSURANCE RECEIVABLES, NET *(continued)*

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Not yet due and within 3 months	32,826	16,519
3 to 6 months	7,166	677
6 to 12 months	815	917
1 to 2 years	321	280
Over 2 years	57	82
Total	41,185	18,475

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch, Moody's) or above except for state-owned reinsurance companies. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

19. REINSURANCE ASSETS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Reinsurers' share of		
Unearned premium reserves	11,137	9,555
Claim reserves	15,653	16,237
Long-term life insurance reserves	74	65
Total	26,864	25,857

(Amounts in millions of Renminbi, unless otherwise stated)

20. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Associates		
Share of net assets:		
Listed investments in Mainland China	28,341	26,718
Unlisted investments	9,665	6,515
Subtotal	38,006	33,233
A joint venture		
Share of net assets:		
Unlisted investments	3,340	2,895
Total	41,346	36,128
Fair value of shares listed in Mainland China	32,199	30,253

As at 30 June 2015, except for the Industrial Bank Co., Ltd. ("Industrial Bank") which was listed on the main board of The Shanghai Stock Exchange, Mainland China, all other associates that the Group holds interests in are unlisted companies. Since Industrial Bank's shares are subject to a lock-up period of 36 months, in estimation of their fair values, the Group used quoted price of the shares taking into account of non-marketability discount estimated using Black-Scholes option pricing model.

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2015, the Group accounts for the share of profit of Industrial Bank from 1 October 2014 to 31 March 2015.

On 18 May 2015, a shareholders' meeting of Industrial Bank approved a final dividend in respect of the year ended 31 December 2014 and the Group recognises the dividend income on the same date. Therefore, when applying the equity method to this associate, the Group adjusted the carrying amount of the share of the net assets of this associate by the corresponding dividends receivable.

Subsequent to the reporting date, the Group acquired shares of the Industrial Bank in the open market and details are set out in note 34.

(Amounts in millions of Renminbi, unless otherwise stated)

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Beginning of the period	**10,682**	10,075
Additions	**13**	22
Transfer from property and equipment	**116**	491
Transfer from prepaid land premiums	**15**	38
Gains on revaluation of properties upon transfer from property and equipment	**86**	122
Gains on revaluation of properties upon transfer from prepaid land premiums	**15**	73
Increase in fair value of investment properties *(note 5(c))*	**73**	3
Transfer to property and equipment	**(197)**	(212)
Disposals	**(2)**	(10)
End of the period	**10,801**	10,602

The Group's investment properties were revalued as at the end of the reporting period. Valuations were based on combination of the following two approaches:

(1) 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

(2) 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 management or independent valuers determine the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to their professional judgement.

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB1,806 million (six months ended 30 June 2014: RMB528 million).

Assets with a net book value of RMB 31million were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB26 million), resulting in a net disposal gain of RMB72 million (six months ended 30 June 2014: RMB22 million).

During the six months ended 30 June 2015, construction in progress with an aggregate amount of RMB101 million (six months ended 30 June 2014: RMB170 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 21.

(Amounts in millions of Renminbi, unless otherwise stated)

23. OTHER ASSETS

Carrying values of other assets are as follows:

	Note	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Loans and debts	(a)	97,378	98,130
Interests receivable		11,426	11,184
Policy loans		3,670	4,603
Other receivables		1,696	2,046
Dividends receivable		358	306
Amount due from MOF		344	344
Others		7,852	6,723
Total		122,724	123,336
Less: Impairment provision on other assets		(1,265)	(1,269)
Net value		121,459	122,067

Policy loans are secured by cash values of the relevant insurance policies and carry interest rates at 6.00%-7.00% (31 December 2014: 6:00%-6.45%) per annum as at 30 June 2015.

(a) Loans and debts

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Long-term debt investment schemes	87,749	81,980
Asset management products	6,929	12,930
Reinsurance arrangement classified as an investment contract	2,000	2,000
Subordinated debts held	700	1,220
Total	97,378	98,130

(Amounts in millions of Renminbi, unless otherwise stated)

23. OTHER ASSETS *(continued)*

(a) Loans and debts *(continued)*

Long-term debt investment schemes ("Debt Schemes") are structured entities and offer either fixed or variable interests to their investors, the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group's investments in Debt Schemes are entirely lending transactions in nature and the Group's proportion of funds lent to these Debt Schemes ranges from 2% to 100% of the total funds raised. The interest rates of these Debt Schemes are 4.25%-8.30% (31 December 2014: 4.25%-8.30%) per annum as at 30 June 2015.

All loans originated by the Debt Schemes with the funds received from their investors are guaranteed by third parties and these guarantees are always joint, irrevocable and unconditional. Guarantors of Debt Schemes are banks of high credit rating or state-owned enterprises. The Group does not control any of these Debt Schemes. The Group's voting rights as lenders to these Debt Schemes are protective of the Group's interests in the Debt Schemes and mainly comprise of early termination or extension of the Debt Schemes' term and, when certain conditions exist, change of the Debt Schemes' managers. Support from two-thirds of the beneficiary interests are required to pass resolutions to make these changes. The Group did not guarantee or provide any financing support for these Debt Schemes, and considers that the carrying amount of the loans to these Debt Schemes represents the Group's maximum risk exposure.

Included in the balance of reinsurance arrangement classified as an investment contract was an amount paid under a reinsurance arrangement which did not transfer significant insurance risk. This arrangement offered a fixed interest rate of 6.35% per annum. Both the Group and the reinsurer have a right to terminate the arrangement at the end of or subsequent to the fifth anniversary of the effective date of the reinsurance contract.

The original terms of subordinated debts are 10 years with a redemption right exercisable by the issuer as at the end of fifth year after its issue. The interest rates of these debts are 5.50%-5.60% (31 December 2014: 4.20%-5.80%) per annum as at 30 June 2015.

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Long-term borrowings		
– Due more than 5 years	**886**	687
Total	**886**	687

Maturity profile of borrowings is disclosed in note 30.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INSURANCE CONTRACT LIABILITIES

	30 June 2015		
(Unaudited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	290,366	74	290,292
Short-term health insurance contracts			
– Claim reserves	2,496	449	2,047
– Unearned premium reserves	3,663	638	3,025
Non-life insurance contracts			
– Claim reserves	110,874	15,204	95,670
– Unearned premium reserves	111,288	10,499	100,789
Total insurance contract liabilities	518,687	26,864	491,823

	31 December 2014		
(Audited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	276,238	65	276,173
Short-term health insurance contracts			
– Claim reserves	2,575	564	2,011
– Unearned premium reserves	1,467	93	1,374
Non-life insurance contracts			
– Claim reserves	102,702	15,673	87,029
– Unearned premium reserves	95,658	9,462	86,196
Total insurance contract liabilities	478,640	25,857	452,783

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Interest-bearing deposits	23,962	23,734
Non-interest-bearing deposits	1,721	1,786
Total	25,683	25,520

The movements in investment contract liabilities for policyholders are as follows:

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Beginning of the period	25,520	41,640
Deposits received after deducting fees	5,374	3,633
Deposits withdrawn	(5,816)	(17,206)
Interest credited *(note 8)*	605	793
End of the period	25,683	28,860

27. OTHER LIABILITIES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Premiums received in advance	7,068	11,495
Due to reinsurers	18,668	11,482
Salaries and welfare payable	11,031	8,726
Claims and benefits payable	6,224	7,371
Handling charges and commission payable	4,828	3,776
Business tax and other tax payable	4,510	4,872
Securities settlement accounts	4,341	75
Dividend payable	1,703	–
Insurance security fund	854	813
Interests payable	833	916
Others	6,081	6,145
TOTAL	66,141	55,671

Premiums received in advance represent amounts collected from policies not yet effective as at the 30 June 2015 and 31 December 2014, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(Amounts in millions of Renminbi, unless otherwise stated)

28. SHARE CAPITAL

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Issued and fully paid ordinary shares of RMB 1 each (in million shares)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424
Share capital		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424

29. FINANCIAL RISK MANAGEMENT

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

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

There have been no significant changes in the Group's risk management processes since 31 December 2014 or in any risk management policies.

(Amounts in millions of Renminbi, unless otherwise stated)

30. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The table below summarises maturity profile of financial assets and financial liabilities using the contractual collection or repayment dates while the expected timing of settlement is used for insurance contract liabilities, reinsurance assets and pension benefit obligations of the Group. All amounts are based on undiscounted contractual cash flows.

	As at 30 June 2015 (Unaudited)						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	41,620	9,937	–	–	–	–	51,557
Derivative financial assets	–	3	12	4	–	–	19
Debt securities	–	3,926	16,748	95,101	217,197	–	332,972
– Held for trading	–	125	1,047	1,462	225	–	2,859
– Available-for-sale	–	3,519	11,548	59,958	52,063	–	127,088
– Held-to-maturity	–	282	4,153	33,681	164,909	–	203,025
Equity securities, mutual funds and trust schemes	–	–	–	16,013	2,500	121,235	139,748
Insurance receivables, net	21,755	11,577	5,427	2,335	91	–	41,185
Reinsurance asset	–	5,213	15,017	5,138	2,432	–	27,800
Term deposits	–	13,654	39,946	137,733	576	–	191,909
Restricted statutory deposits	–	224	3,874	6,634	–	–	10,732
Other financial assets	7,556	11,683	21,115	74,513	33,320	–	148,187
Total financial assets	70,931	56,217	102,139	337,471	256,116	121,235	944,109
Securities sold under agreements to repurchase	–	54,678	–	–	–	–	54,678
Due to banks and other financial institutions	–	15	156	925	135	–	1,231
Subordinated debts	–	2,519	1,424	12,612	44,883	–	61,438
Insurance contract liabilities	–	48,452	204,234	197,575	146,027	–	596,288
Investment contract liabilities for policyholders	52	283	2,056	142	3,975	19,213	25,721
Policyholder dividends payable	8,131	–	–	–	–	–	8,131
Pension benefit obligation	–	51	152	781	3,382	–	4,366
Other financial liabilities	18,260	22,827	10,956	2,384	115	–	54,542
Total financial liabilities	26,443	128,825	218,978	214,419	198,517	19,213	806,395

(Amounts in millions of Renminbi, unless otherwise stated)

30. MATURITY PROFILE OF FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2014 (Audited)						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	32,816	6,503	–	–	–	–	39,319
Derivative financial assets	–	2	12	5	–	–	19
Debt securities	–	3,441	18,518	93,491	230,159	–	345,609
– Held for trading	–	256	158	1,192	624	–	2,230
– Available-for-sale	–	2,893	14,393	61,272	59,137	–	137,695
– Held-to-maturity	–	292	3,967	31,027	170,398	–	205,684
Equity securities, mutual funds and trust schemes	–	–	–	20,300	2,500	69,837	92,637
Insurance receivables, net	4,201	10,480	2,692	1,033	69	–	18,475
Reinsurance assets	–	5,402	12,713	4,939	3,066	–	26,120
Term deposits	–	550	27,199	139,131	17,112	–	183,992
Restricted statutory deposits	–	16	1,170	8,754	–	–	9,940
Other financial assets	7,738	11,814	20,830	68,306	42,271	–	150,959
Total financial assets	44,755	38,208	83,134	335,959	295,177	69,837	867,070
Securities sold under agreements to repurchase	–	35,516	–	–	–	–	35,516
Derivative financial liabilities	–	–	1	–	–	–	1
Due to banks and other financial institutions	10	11	35	811	120	–	987
Subordinated debts	–	–	1,635	14,756	54,313	–	70,704
Insurance contract liabilities	–	63,466	162,084	186,536	125,511	–	537,597
Investment contract liabilities for policyholders	126	990	1,041	669	1,936	20,796	25,558
Policyholder dividends payable	7,966	–	–	–	–	–	7,966
Pension benefit obligation	–	51	152	783	3,462	–	4,448
Other financial liabilities	9,578	20,633	6,850	2,132	86	–	39,279
Total financial liabilities	17,680	120,667	171,798	205,687	185,428	20,796	722,056

31. FAIR VALUE AND FAIR VALUE HIERARCHY

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

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

During the six months ended 30 June 2015, The People's Bank of China reduced the one-year benchmark lending and deposit rates three times from 5.60% to 4.85% and from 2.75% to 2%, respectively, giving to general rises of the fair values of debt securities, equity securities, mutual funds and trust schemes held by the Group. Moreover, the Shanghai Stock Exchange Index also increased by 27.7% during the period from 3,350.52 on 5 January 2015 to 4,277.22 on 30 June 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(a) Fair value of the 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 as 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, their fair value hierarchy, valuation technique(s) and inputs used).

Item	Fair value 30 June 2015 (Unaudited)	Fair value 31 December 2014 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial assets – Interest rate swaps	21	23	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves as 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	1	2	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves as at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Held for trading debt securities	11	3	Level 1	Quoted bid prices in an active market.
Held for trading debt securities	2,640	1,939	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	12,655	21,596	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	90,430	88,118	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.
Held for trading equity securities and mutual funds	9,540	15,610	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	98,989	49,000	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	10,005	3,614	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend rates, discounted at a rate that reflects the risk characteristic of the instrument.
Available-for-sale trust investment	16,013	20,300	Level 3	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the risk characteristic of the counterparty.
Available-for-sale equity securities and mutual funds	1,900	1,000	Level 3	The fair value is determined with reference to the quoted market prices, latest round financing price with an adjustment of discount for lack of marketability.

During the six months ended 30 June 2015, the Group transferred debt securities with a carrying amount of RMB2,782 million from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB940 million from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

During the six months ended 30 June 2015 and the six months ended 30 June 2014, the Group does not have any assets transferred between fair value hierarchy Level 2 and Level 3.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(b) Fair value of financial assets and liabilities not measured at fair value

The following table summarises the carrying values and the fair values of held-to-maturity financial assets, loans and debts held and subordinated debts issued, which are not carried at fair value. Except for those disclosed below, the fair values of the financial assets and financial liabilities are considered approximate to their carrying values recognised in these condensed consolidated financial statements.

	As at 30 June 2015	
	Carrying amounts	**Fair value**
Financial assets		
Held-to-maturity financial assets *(note 16)*	**124,216**	**127,081**
Loans and debts *(note 23(a))*	**97,378**	**103,694**
Financial liabilities		
Subordinated debts	**41,635**	**45,385**

	As at 31 December 2014	
	Carrying amounts	Fair value
Financial assets		
Held-to-maturity financial assets *(note 16)*	124,249	124,140
Loans and debts *(note 23(a))*	98,130	102,721
Financial liabilities		
Subordinated debts	47,914	51,376

32. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or an outflow of resources embodying economic benefits is not probable.

(2) The Company underwent restructuring and reorganisation during the period from 1996 and 1998. As a result of the restructuring and reorganisation, the Company and another insurance company were spun off from the predecessor company, the People's Insurance Company of China, and each spun-off entity inherited certain assets and liabilities. During the process, the Company owed certain amounts to that insurance company and settled these debts by cash payments, assets or by certain offsetting arrangements. Due to the long history and turnover of staff, the Company is not able to reach an agreement with that insurance company regarding the balances of debts that have been repaid in the form of assets or receivables. Potentially, certain receivables or payables may exist among these entities. However, the Company's management is of the opinion that the debts have been fully repaid, and therefore any contingent indebtedness will not significantly impact these condensed consolidated financial statements.

(3) As at the report date, there were various title defects for certain investment properties, property and equipment, prepaid land premiums and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Due to historical reasons, the Group owned a large number of branches and subsidiaries. Although these branches or subsidiaries may have been closed or liquidated, the Group may still have exposures to any non-compliance committed by these branches or subsidiaries.

Other than the above, as at 30 June 2015, the Group had no significant contingencies to disclose.

(Amounts in millions of Renminbi, unless otherwise stated)

32. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases

(1) Capital commitments

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	2,255	1,434
Authorised, but not contracted for	2,587	3,500
Investments:		
Contracted, but not provided for	1,000	2,890
Authorised, but not contracted for	400	–
Total	6,242	7,824

(2) Operating leases

(i) As lessor

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

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Within one year	203	192
In the second to third years, inclusive	166	182
After three years	170	166
Total	539	540

(Amounts in millions of Renminbi, unless otherwise stated)

32. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases *(continued)*

(2) Operating leases (continued)

(ii) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to ten years.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Within one year	**305**	287
In the second to third years, inclusive	**471**	448
After three years	**454**	531
Total	**1,230**	1,266

33. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is MOF.

(b) During the six months ended 30 June 2015 and 30 June 2014, the Group had the following significant related party transactions:

Transactions with associates	**Six months ended 30 June 2015 (Unaudited)**	Six months ended 30 June 2014 (Unaudited)
Gross written premiums	**198**	171
Interest income	**103**	26
Claims and policyholders' benefits	**14**	11
Handling charges and commissions	**1**	3
Finance costs	**26**	128
Dividend received	**1,311**	1,098

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(Amounts in millions of Renminbi, unless otherwise stated)

33. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from associates	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash and cash equivalents	646	5,369
Debt securities	3,117	3,115
Equity securities and trust schemes *(Note)*	16,440	20,727
Term deposits	1,094	814
Other assets	489	496
Total	21,786	30,521

Note: A trust scheme of RMB16,013million (31 December 2014: RMB20,300 million) is controlled by an associate and the details are set out in note 17.

Receivables from a major shareholder	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Other assets		
MOF	344	344

Payables to associates	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Subordinated debts	2,408	2,405
Other liabilities	75	51
Total	2,483	2,456

(d) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No transactions have been entered with the key management personnel during the six months ended 30 June 2015 other than the emoluments paid to them (being the key management personnel compensation).

33. RELATED PARTY DISCLOSURES *(continued)*

(e) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the 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 government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

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

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

34. EVENT AFTER THE REPORTING PERIOD

Subsequent to the balance sheet date, PICC P&C and PICC Life, the Company's subsidiaries, respectively acquired 280,738,112 shares and 327,639,977 shares of Industrial Bank in the open market using insurance funds. The considerations for these acquisitions were RMB4,641 million and RMB5,454 million respectively. At the date of approval of these financial statements, the Group's aggregate interest in this associate was increased from 10.87% as at 30 June 2015 to 14.06%.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board of Directors of the Company on 28 August 2015.

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of 30 June 2015, none of the Directors, the Supervisors or the senior management of the Company held any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

CHANGE IN THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

The changes in the Directors of the Company during the Reporting Period are as follows:

On 14 January 2015, Mr. Zhou Liqun resigned as Executive Director and member of the risk management committee of the Company due to change in work arrangements.

On 26 June 2015, the Company convened the 2014 annual general meeting, and elected Mr. Li Yuquan as an Executive Director for the Second Session of the Board, Mr. Li Fang as a Non-Executive Director for the Second Session of the Board and Mr. Tang Shisheng and Mr. Lin Yixiang as Independent Non-Executive Directors for the Second Session of the Board. The appointment of these four Directors are still subject to approval by the CIRC.

Mr. Ma Qiang and Mr. Du Jian's retirement from office will become effective once the qualifications of Mr. Li Fang and Mr. Lin Yixiang are approved by the CIRC. For further details, please refer to the Company's announcement on resignation of Non-Executive Director and appointment of Non-Executive Director and Independent Non-Executive Director dated 30 December 2014, and the Company's announcement on appointment of Independent Non-Executive Director dated 27 March 2015.

On 26 June 2015, Ms. Li Shiling and Ms. Zhang Hanlin tendered their resignation as Non-Executive Director and member of the risk management committee of the Company, and as Non-Executive Director and member of strategic and investment committee of the Company respectively, due to age reasons. On 26 June 2015, the resolution on the nomination of Ms. Hua Rixin and Ms. Cheng Yuqin as candidates for Directors of the Second Session of the Board was passed at the eleventh meeting of the Second Session of the Board. The tenure of their appointment will commence on the later date of, the date of approval by the shareholders at a general meeting of the Company or the date of approval as Director by the CIRC, and will end when the term of the Second Session of the Board expires. Before the term of directorship of Ms. Hua Rixin and Ms. Cheng Yuqin becomes effective, Ms. Li Shiling and Ms. Zhang Hanlin shall continue to perform their duties and responsibilities as Non-Executive Director and member of risk management committee and as Non-Executive Director and member of strategic and investment committee respectively. For further details, please refer to the Company's announcement on resignation and appointment of Non-Executive Directors dated 26 June 2015.

As of the date of this interim report, the members of the Board are:

Mr. Wu Yan *(chairman of the Board and Executive Director)*
Mr. Wang Yincheng *(Vice chairman of the Board and Executive Director)*
Ms. Zhuang Chaoying *(Executive Director)*
Mr. Yao Zhiqiang *(Non-executive Director)*
Mr. Wang Qiao *(Non-executive Director)*
Ms. Li Shiling *(Non-executive Director)*
Ms. Zhang Hanlin *(Non-executive Director)*
Mr. Ma Qiang *(Non-executive Director)*
Mr. Lau Hon Chuen *(Independent Non-executive Director)*
Mr. Du Jian *(Independent Non-executive Director)*
Mr. Xu Dingbo *(Independent Non-executive Director)*
Mr. Luk Kin Yu, Peter *(Independent Non-executive Director)*

On 31 July 2015, the qualification of Mr. Luk Kin Yu, Peter as an Independent Director of the Company was approved by the CIRC. The appointment of Mr. Luk Kin Yu, Peter as an Independent Director for the Second Session of the Board became effective on 31 July 2015 and the retirement of Mr. Cai Weiguo as an Independent Director of the Company also became effective on the same day.

During the Reporting Period, there are no changes in the members of the Company's board of supervisors (the "Board of Supervisors").

As of the date of this interim report, the members of the Board of Supervisors are:

Mr. Lin Fan *(chairman of the Board of Supervisors)*
Mr. Yu Ning *(Independent Supervisor)*
Mr. Xu Yongxian *(shareholder representative Supervisor)*
Ms. Li Yongmei *(employees representative Supervisor)*
Ms. Yao Bo *(employees representative Supervisor)*

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

From 1 January 2015 to the date of this interim report, there are no changes in the information of the Directors and the Supervisors of the Company that need to be disclosed under Rule 13.51B (1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF LISTED SECURITIES

In the first half of 2015, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on the purchase and sale of Company's securities that apply to the Directors, the Supervisors and all employees, and the terms of the guidelines are not less restrictive than the Model Code. Following enquiries made by the Company, all the Directors and the Supervisors confirmed that they have complied with the standards set out in the Model Code and the aforementioned guidelines during the first half of 2015.

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO

As far as the Directors of the Company are aware, as at 30 June 2015, the following persons (other than the Directors and the Supervisors of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the SFO, or is required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	**Capacity**	**Number of domestic shares**	**Nature of interests**	**Percentage of total issued domestic shares** (Note 3)	**Percentage of total issued shares** (Note 4)
MOF	Beneficial owner	29,896,189,564	Long position	88.72%	70.47%
National Council for Social Security Fund ("SSF")	Beneficial owner	3,801,567,019	Long position	11.28%	8.96%

Name of shareholder	**Capacity**	**Number of H shares**	**Nature of interests**	**Percentage of total issued H shares** (Note 5)	**Percentage of total issued shares** (Note 4)
American International Group, Inc.	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
SSF *(Note 1)*	Beneficial owner	611,345,000	Long position	7.01%	1.44%
BlackRock, Inc. ("BlackRock")	Interest of controlled corporation	494,251,923	Long position	5.66%	1.17%
(Note 2)		3,225,000	Short position	0.04%	0.01%

Note:

1. SSF, as the beneficial owner, holds 602,279,000 H shares. In addition, it holds 6,349,000 H shares via State Street Global Advisors ("SSGA") as asset manager and nominee, 87,000 H shares via Neuberger Berman LLC as asset manager and nominee and 2,630,000 H shares via Principal Global Investors (Asia) Limited as asset manager and nominee. Accordingly, NSSF is deemed to be interested in the aforementioned H shares.

2. BlackRock is deemed to be interested in 494,251,923 H shares (long position) and 3,225,000 H shares (short position) through its controlled entities, namely, BlackRock (Netherlands) B.V., BlackRock Advisors(UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Deutschland AG, BlackRock Asset Management North Asia Limited, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, BlackRock Investment Management, LLC and BlackRock Japan Co Ltd.

3. As at 30 June 2015, the total issued domestic shares of the Company was 33,697,756,583 shares.

4. As at 30 June 2015, the total issued shares of the Company was 42,423,990,583 shares.

5. As at 30 June 2015, the total issued H shares of the Company was 8,726,234,000 shares.

Save as disclosed above, as of 30 June 2015, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company that is required to be entered into the register under Section 336 of the SFO.

CORPORATE GOVERNANCE

Save for the following, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code") in the first half of 2015, and has adopted the recommended best practices under appropriate circumstances.

During the Reporting Period, because the qualification of Mr. Luk Kin Yu, Peter as a Director of the Company was still subject to approval of the CIRC, Mr. Cai Weiguo continued serving as a Director of the Company. During the Reporting Period, the Company could not meet the requirement under code provision A.4.2 of the Corporate Governance Code that "every Director should be subject to retirement by rotation at least once every three years". The qualification of Mr. Luk Kin Yu, Peter as a Director was approved on 31 July 2015, and Mr. Cai Weiguo has since retired from his position on the same day. Please refer to the Company's announcement on Change of Independent Director of the Company dated 11 August 2015 for the relevant details.

Mr. Xiang Huaicheng resigned from the post of Independent Non-Executive Director of the Company on 29 September 2014, as a result, the number of Independent Non-Executive Directors of the Company became less than one-third of the number of members of the Board of Directors and the Company does not satisfy the requirements under Rule 3.10A of the Listing Rules. On 26 June 2015, the Company convened the 2014 annual general meeting and passed a resolution to elect Mr. Tang Shisheng and Mr. Lin Yixiang as Independent Non-Executive Directors, though their appointments are still subject to approval by the CIRC. Please refer to the announcements of the Company dated 26 September 2014, 30 December 2014, and 27 March 2015 and the notice and the circular of the 2014 annual general meeting dated 11 May 2015 for the relevant details.

DIVIDEND

The Company does not declare any interim dividend for the first half of 2015.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has, in the presence of the external auditor, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

Corporate Information

REGISTERED NAME

Chinese Name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

English Name: THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

Abbreviation of English name: PICC Group

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District,
Beijing 100052, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

WEBSITE

http://www.picc.com

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

INFORMATION INQUIRY DEPARTMENT

Secretariat of the Board
Tel: (8610) 6261 2533
Fax: (8610) 6262 4880
Email: ir_group@picc.com.cn

AUDITORS

International Auditors:
Deloitte Touche Tohmatsu

Domestic Auditors:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Limited Beijing Branch

LEGAL ADVISORS

as to Hong Kong law
Davis Polk & Wardwell

as to PRC law
King & Wood Mallesons

PICC

中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED