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**PICC** 中国人民财产保险股份有限公司  
**PICC Property and Casualty Company Limited**

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

(Stock Code: 2328)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The Board of Directors is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2016, with comparative figures for the corresponding period of last year, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

	<i>Notes</i>	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	<b>Six months ended 30 June 2015 RMB million (Unaudited)</b>
<b>GROSS WRITTEN PREMIUMS</b>	4	<b><u>161,893</u></b>	<b><u>146,232</u></b>
Net earned premiums	4	129,156	115,740
Net claims incurred	5	(77,726)	(71,116)
Net policy acquisition costs		(30,872)	(24,825)
Other underwriting expenses		(10,459)	(9,551)
Administrative expenses		<u>(3,653)</u>	<u>(4,057)</u>
<b>UNDERWRITING PROFIT</b>		<b><u>6,446</u></b>	<b><u>6,191</u></b>
Investment income	6	8,002	7,592
Net realised and unrealised (losses)/gains on investments	7	(558)	5,543
Investment related expenses		(128)	(445)
Exchange gains/(losses), net		139	(19)
Sundry income		154	161
Sundry expenses		(68)	(75)
Finance costs		(516)	(788)
Share of profits of associates		<u>157</u>	<u>388</u>
<b>PROFIT BEFORE TAX</b>	8	<b>13,628</b>	<b>18,548</b>
Income tax expense	9	<u>(2,980)</u>	<u>(4,126)</u>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b><u>10,648</u></b>	<b><u>14,422</u></b>
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)</b>	11	<b><u>0.718</u></b>	<b><u>0.973</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	<b>Six months ended 30 June 2015 RMB million (Unaudited)</b>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>10,648</u></b>	<b><u>14,422</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value (losses)/gains	(4,366)	9,289
– Reclassification of losses/(gains) to profit or loss on disposals	515	(5,174)
Income tax effect	963	(1,029)
	<u>(2,888)</u>	<u>3,086</u>
Net (losses)/gains on cash flow hedges	(4)	5
Income tax effect	1	(1)
	<u>(3)</u>	<u>4</u>
Share of other comprehensive (expense)/income of associates	(133)	285
	<u>(3,024)</u>	<u>3,375</u>
<b>NET OTHER COMPREHENSIVE (EXPENSE)/INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	145	101
Income tax effect	(36)	(25)
	<u>109</u>	<u>76</u>
<b>NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b><u>109</u></b>	<b><u>76</u></b>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(2,915)</u></b>	<b><u>3,451</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>7,733</u></b>	<b><u>17,873</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	<i>Notes</i>	<b>30 June 2016 RMB million (Unaudited)</b>	31 December 2015 RMB million (Audited)
<b>ASSETS</b>			
Cash and cash equivalents		21,111	22,828
Derivative financial assets		4	8
Debt securities		113,810	107,404
Equity securities and mutual funds		62,049	68,714
Insurance receivables, net	12	44,933	19,317
Reinsurance assets	13	27,769	26,426
Term deposits		87,109	98,663
Investments classified as loans and receivables		42,489	30,052
Prepayments and other assets		15,638	16,180
Investments in associates		10,890	8,584
Investment properties		4,831	4,783
Property, plant and equipment		14,278	14,110
Prepaid land premiums		3,286	3,351
Deferred tax assets		3,766	–
<b>TOTAL ASSETS</b>		<b><u>451,963</u></b>	<b><u>420,420</u></b>
<b>LIABILITIES</b>			
Payables to reinsurers	14	16,191	9,141
Accrued insurance protection fund		746	741
Securities sold under agreements to repurchase		20,984	23,688
Income tax payable		3,567	2,943
Other liabilities and accruals		44,636	39,107
Insurance contract liabilities	13	240,189	217,288
Policyholders' deposits		2,363	2,226
Subordinated debts		11,111	16,297
Deferred tax liabilities		–	38
<b>TOTAL LIABILITIES</b>		<b><u>339,787</u></b>	<b><u>311,469</u></b>
<b>EQUITY</b>			
Issued capital		14,828	14,828
Reserves		97,343	94,118
Equity attributable to owners of the parent		112,171	108,946
Non-controlling interests		5	5
<b>TOTAL EQUITY</b>		<b><u>112,176</u></b>	<b><u>108,951</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>451,963</u></b>	<b><u>420,420</u></b>

Notes:

## 1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the PRC.

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

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

In the opinion of the directors, the parent and the ultimate holding company of the Company is PICC Group, which is incorporated in the PRC.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with *Hong Kong Accounting Standard 34 “Interim Financial Reporting”* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

### (b) Significant accounting policies

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

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

Except for the adoption of new amendments to standard effective on 1 January 2016 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015. The Group has not early adopted any new standard, interpretation or amendment that has been issued but not yet effective.

## **Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

The following amendments to HKFRSs became effective for the current accounting period:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

### **Amendments to HKAS 1-Disclosure Initiative**

In the past, share of items of other comprehensive income (“OCI”) arising from associates were grouped by nature into OCI of the Company and its subsidiaries.

Commencing from 1 January 2016, share of OCI from associates accounted for using the equity method, in aggregate, are separated into two items for OCI that:

- Will not be reclassified subsequently to profit or loss; and
- Will be reclassified subsequently to profit or loss when specific conditions are met.

As a result of these changes, certain items in the OCI section of the condensed consolidated statement of comprehensive income were reclassified to conform to these new requirements. A reserve is also separately established to record the cumulative share of OCI arising from associates in the condensed consolidated statement of changes in equity.

Apart from this, none of the above amendments to HKFRSs, however, have had a material impact on the financial position or performance of the Group for the six months ended 30 June 2016.

### **3. OPERATING SEGMENT INFORMATION**

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

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

- (a) the motor vehicle segment provides insurance products covering motor vehicles;
- (b) the commercial property segment provides insurance products covering commercial properties;
- (c) the cargo segment provides insurance products covering vessels, crafts or conveyances;
- (d) the liability segment provides insurance products covering policyholders’ liabilities;
- (e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;

- (f) the agriculture segment provides insurance products covering agriculture business;
- (g) the others segment mainly represents insurance products related to homeowners, special risks, marine hull, construction and credit; and
- (h) the corporate segment includes the income and expenses from investment activities, share of results of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

The segment income statements for the six months ended 30 June 2016 and 2015 are as follows:

Six months ended 30 June 2016 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	RMB million	RMB million
Gross written premiums	108,397	7,804	1,614	7,323	16,429	12,777	7,549	-	161,893
Net earned premiums	102,211	4,038	1,114	4,673	8,957	4,855	3,308	-	129,156
Net claims incurred	(59,819)	(2,038)	(448)	(2,587)	(7,870)	(3,130)	(1,834)	-	(77,726)
Net policy acquisition costs	(27,726)	(943)	(305)	(1,087)	(580)	297	(528)	-	(30,872)
Other underwriting expenses	(7,663)	(526)	(53)	(413)	(383)	(871)	(550)	-	(10,459)
Administrative expenses	(2,344)	(279)	(109)	(196)	(106)	(340)	(279)	-	(3,653)
Underwriting profit	4,659	252	199	390	18	811	117	-	6,446
Investment income	-	-	-	-	-	-	-	8,002	8,002
Net realised and unrealised losses on investments	-	-	-	-	-	-	-	(558)	(558)
Investment related expenses	-	-	-	-	-	-	-	(128)	(128)
Exchange gains, net	-	-	-	-	-	-	-	139	139
Finance costs	-	-	-	-	-	-	-	(516)	(516)
Sundry income and expenses, net	-	-	-	-	-	-	-	86	86
Share of profits of associates	-	-	-	-	-	-	-	157	157
Profit before tax	4,659	252	199	390	18	811	117	7,182	13,628
Income tax expense	-	-	-	-	-	-	-	(2,980)	(2,980)
Profit attributable to owners of the parent - segment results	4,659	252	199	390	18	811	117	4,202	10,648

Six months ended 30 June 2015 (Unaudited)	Insurance						Corporate	Total	
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	RMB million	RMB million
Gross written premiums	98,807	8,205	1,795	6,119	12,179	12,588	6,539	-	146,232
Net earned premiums	91,588	4,264	1,240	4,065	6,700	4,883	3,000	-	115,740
Net claims incurred	(56,550)	(2,011)	(452)	(2,223)	(5,547)	(2,880)	(1,453)	-	(71,116)
Net policy acquisition costs	(21,794)	(1,042)	(322)	(1,040)	(530)	282	(379)	-	(24,825)
Other underwriting expenses	(6,706)	(545)	(157)	(339)	(405)	(958)	(441)	-	(9,551)
Administrative expenses	(2,616)	(213)	(80)	(143)	(474)	(293)	(238)	-	(4,057)
Underwriting profit/(loss)	3,922	453	229	320	(256)	1,034	489	-	6,191
Investment income	-	-	-	-	-	-	-	7,592	7,592
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	5,543	5,543
Investment related expenses	-	-	-	-	-	-	-	(445)	(445)
Exchange losses, net	-	-	-	-	-	-	-	(19)	(19)
Finance costs	-	-	-	-	-	-	-	(788)	(788)
Sundry income and expenses, net	-	-	-	-	-	-	-	86	86
Share of profits of associates	-	-	-	-	-	-	-	388	388
Profit/(loss) before tax	3,922	453	229	320	(256)	1,034	489	12,357	18,548
Income tax expense	-	-	-	-	-	-	-	(4,126)	(4,126)
Profit/(loss) attributable to owners of the parent - segment results	3,922	453	229	320	(256)	1,034	489	8,231	14,422

The segment assets and liabilities of the Group as at 30 June 2016 and 31 December 2015 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
30 June 2016 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	<u>11,972</u>	<u>11,530</u>	<u>1,723</u>	<u>6,296</u>	<u>11,482</u>	<u>14,747</u>	<u>17,591</u>	<u>376,622</u>	<u>451,963</u>
Segment liabilities	<u>177,196</u>	<u>17,970</u>	<u>3,097</u>	<u>16,108</u>	<u>19,480</u>	<u>18,696</u>	<u>22,805</u>	<u>64,435</u>	<u>339,787</u>
	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
31 December 2015 (Audited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	<u>9,913</u>	<u>8,483</u>	<u>1,340</u>	<u>4,422</u>	<u>4,500</u>	<u>5,881</u>	<u>14,084</u>	<u>371,797</u>	<u>420,420</u>
Segment liabilities	<u>171,110</u>	<u>15,214</u>	<u>2,993</u>	<u>13,756</u>	<u>11,960</u>	<u>11,282</u>	<u>20,002</u>	<u>65,152</u>	<u>311,469</u>

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



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

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
<b>Gross written premiums</b>		
Direct written premiums	161,562	145,926
Reinsurance premiums assumed	331	306
	<u>161,893</u>	<u>146,232</u>
<b>Net earned premiums</b>		
Gross written premiums	161,893	146,232
Less: Reinsurance premiums ceded	(16,483)	(15,917)
	<u>145,410</u>	<u>130,315</u>
Net written premiums	145,410	130,315
Gross change in unearned premium reserves	(17,846)	(15,633)
Less: Reinsurer's share of change in unearned premium reserves	1,592	1,058
	<u>(16,254)</u>	<u>(14,575)</u>
Net change in unearned premium reserves	(16,254)	(14,575)
Net earned premiums	<u>129,156</u>	<u>115,740</u>

#### 5. NET CLAIMS INCURRED

	Six months ended 30 June 2016 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)
Gross claims paid	80,732	70,541
Less: Paid losses recoverable from reinsurers	(8,310)	(8,039)
	<u>72,422</u>	<u>62,502</u>
Net claims paid	72,422	62,502
Gross change in loss and loss adjustment expense reserves	5,055	8,167
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	249	447
	<u>5,304</u>	<u>8,614</u>
Net change in loss and loss adjustment expense reserves	5,304	8,614
Net claims incurred	<u>77,726</u>	<u>71,116</u>

## 6. INVESTMENT INCOME

	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	Six months ended 30 June 2015 RMB million (Unaudited)
Operating lease income from investment properties	125	134
Interest income		
Current and term deposits	2,727	2,869
Debt securities		
– Held-to-maturity	1,061	1,047
– Available-for-sale	1,436	1,595
– Held-for-trading	14	29
Derivative financial assets	14	4
Investments classified as loans and receivables	1,011	615
Subtotal	<u>6,263</u>	<u>6,159</u>
Dividend income from equity securities and mutual funds		
– Available-for-sale	1,437	1,226
– Held-for-trading	177	73
Subtotal	<u>1,614</u>	<u>1,299</u>
Total	<u><u>8,002</u></u>	<u><u>7,592</u></u>

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

	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	Six months ended 30 June 2015 RMB million (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	61	33
– Held-for-trading	12	5
Equity securities and mutual funds		
– Available-for-sale	(576)	5,141
– Held-for-trading	(90)	270
Unrealised (losses)/gains from:		
Debt securities classified as held-for-trading	(7)	3
Equity securities and mutual funds classified as held-for-trading	(15)	19
Fair value gains on investment properties	57	72
	<u><u>(558)</u></u>	<u><u>5,543</u></u>

## 8. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	Six months ended 30 June 2015 RMB million (Unaudited)
Employee expenses	14,805	14,657
Depreciation of property, plant and equipment	774	886
Amortisation of prepaid land premiums	94	72
Impairment losses on insurance receivables	364	546
Impairment losses on prepayments and other assets	189	–
Minimum lease payments under operating leases in respect of land and buildings	326	335
	<u>14,805</u>	<u>14,657</u>

## 9. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2015: 25%) in accordance with the relevant PRC income tax rules and regulations.

	<b>Six months ended 30 June 2016 RMB million (Unaudited)</b>	Six months ended 30 June 2015 RMB million (Unaudited)
Current		
– Charge for the period	5,857	6,540
– Adjustment in respect of current tax of previous periods	–	6
Deferred	(2,877)	(2,420)
	<u>2,980</u>	<u>4,126</u>
Total tax charge for the period	<u>2,980</u>	<u>4,126</u>

## 10. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2016.

Pursuant to the shareholders' approval at the general meeting on 24 June 2016, a final dividend of RMB0.304 per ordinary share totalling RMB4,508 million in respect of the year ended 31 December 2015 was declared.

Pursuant to the shareholders' approval at the general meeting on 26 June 2015, a final dividend of RMB0.270 per ordinary share totalling RMB4,004 million in respect of the year ended 31 December 2014 was declared.

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

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

	<b>Six months ended 30 June 2016 (Unaudited)</b>	Six months ended 30 June 2015 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	<u><b>10,648</b></u>	<u>14,422</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u><b>14,828</b></u>	<u>14,828</u>
Basic earnings per share (in RMB)	<u><b>0.718</b></u>	<u>0.973</u>

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

Diluted earnings per share amounts for the six months ended 30 June 2016 and 2015 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

## 12. INSURANCE RECEIVABLES, NET

	<b>30 June 2016 RMB million (Unaudited)</b>	31 December 2015 RMB million (Audited)
Premiums receivable and agents' balances	<b>30,100</b>	9,823
Receivables from reinsurers	<u><b>18,066</b></u>	<u>12,366</u>
	<u><b>48,166</b></u>	<u>22,189</u>
Less: Impairment provision on		
Premiums receivable and agents' balances	<b>(3,039)</b>	(2,684)
Receivables from reinsurers	<u><b>(194)</b></u>	<u>(188)</u>
	<u><b>44,933</b></u>	<u>19,317</u>

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

	<b>30 June 2016 RMB million (Unaudited)</b>	31 December 2015 RMB million (Audited)
Not yet due	20,513	14,609
Within 1 month	6,416	893
1 to 3 months	7,260	1,691
3 to 6 months	8,744	793
6 to 12 months	986	1,079
1 to 2 years	917	163
Over 2 years	97	89
	<u>44,933</u>	<u>19,317</u>

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB234 million (31 December 2015: RMB100 million).

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

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

### 13. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	120,761	(10,899)	109,862	102,915	(9,307)	93,608
Loss and loss adjustment expense reserves	119,428	(16,870)	102,558	114,373	(17,119)	97,254
	<u>240,189</u>	<u>(27,769)</u>	<u>212,420</u>	<u>217,288</u>	<u>(26,426)</u>	<u>190,862</u>

#### 14. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	<b>30 June 2016</b>	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Reinsurance payables	<b>16,191</b>	9,141

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB252 million (31 December 2015: RMB110 million).

## DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

### OVERVIEW

In 2016, the progressive implementation of the Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry, the deepening facilitation of the supply-side structural reform and the steady implementation of “the Belt and Road” Initiative brought more room for development of the insurance industry in China and historic new business opportunities. Meanwhile, the Company faces greater challenges in the course of its development due to factors such as intensifying insurance market competition, continued facilitation of deregulation of premium rates of commercial motor vehicle insurance and the replacement of business tax with Value-Added Tax.

In the first half of 2016, confronted with the complex and changing economic environment at home and abroad and the increasingly competitive market conditions, the Company, by focusing on the two key objectives of development by market benchmarking and profitability outperforming other market players, continuously promoted its development abilities, profit making abilities and service capabilities. As a result, the Company gained the first-mover advantage in the deregulation of premium rates of commercial motor vehicle insurance, securely ranked first in incremental premium income and reversed the declining trend of its market share. The Company continued to leverage its professional skills to enhance its leading position in the underwriting profitability, and outperformed the market peers in terms of business development and underwriting results.

- **Declining market share reversed and market position further reinforced.** In the first half of 2016, the gross written premiums of the Company and its subsidiaries reached RMB161,893 million, representing an increase of 10.7% compared to the same period of last year. The incremental premium income reached RMB15,636 million which remained at the top position in the industry. In particular, the gross written premiums of the motor vehicle insurance segment amounted to RMB108,397 million, representing an increase of 9.7% compared to the same period of last year, and the gross written premiums of the non-motor insurance business amounted to RMB53,496 million, representing an increase of 12.8% compared to the same period of last year. The Company’s market share in the PRC property and casualty insurance market is 34.9% (*Note*), representing an increase of 0.7 and 1.5 percentage points compared to the interim and the end of 2015 respectively, reversing the declining trend of its market share since its listing. The Company’s market position was further reinforced.

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

- **Underwriting results hitting another record high and return on equity outperforming the market.** In the first half of 2016, the Company and its subsidiaries achieved a combined ratio of 95.0%, lower than the average level in the industry; underwriting profit was RMB6,446 million, representing an increase of 4.1% compared to the same period of last year; however, as influenced by the volatility of the capital market, total investment income decreased substantially compared to the same period of last year, and as a result, profit attributable to owners of the parent was RMB10,648 million, representing a decrease of 26.2% compared to the same period of last year; the annualised return on equity was 19.3%, representing a leading position in the industry.

- **Steady enhancement of the comprehensive strengths and more outstanding inherent quality.** As at 30 June 2016, the total assets, shareholders' equity and investment assets of the Company and its subsidiaries grew steadily. Its total assets reached RMB451,963 million, representing an increase of 7.5% compared to the end of 2015; the total shareholders' equity reached RMB112,176 million, representing an increase of 3.0% compared to the end of 2015; the total amount of investment assets grew steadily, reaching RMB345,344 million. With the official implementation of C-ROSS, the Company's core solvency margin ratio reached 250.8%, and the comprehensive solvency margin ratio was 279.6%, much higher than the level achieved under the earlier solvency regulation. Attributable to the outstanding industry position and continuously increasing comprehensive strengths of the Company, the rating granted by Moody's Investors Service to the Company (Aa3) in terms of insurance financial strength is the highest level in the PRC.

## UNDERWRITING RESULTS

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

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	<b>129,156</b>	<b>100.0</b>	115,740	100.0
Net claims incurred	<b>(77,726)</b>	<b>(60.2)</b>	(71,116)	(61.5)
Total expenses	<b>(44,984)</b>	<b>(34.8)</b>	(38,433)	(33.2)
Underwriting profit	<b><u>6,446</u></b>	<b><u>5.0</u></b>	<b><u>6,191</u></b>	<b><u>5.3</u></b>



## GROSS WRITTEN PREMIUMS

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	<b>108,397</b>	98,807
Commercial property insurance	<b>7,804</b>	8,205
Liability insurance	<b>7,323</b>	6,119
Accidental injury and health insurance	<b>16,429</b>	12,179
Cargo insurance	<b>1,614</b>	1,795
Agriculture insurance	<b>12,777</b>	12,588
Other insurance	<b>7,549</b>	6,539
<b>Total</b>	<b><u>161,893</u></b>	<b><u>146,232</u></b>

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

	<b>Six months ended 30 June</b>				
	<b>2016</b>			<b>2015</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Increase/ (decrease)</b>	<b>Amount</b>	<b>Percentage</b>
	<i>RMB million</i>	<b>%</b>	<b>%</b>	<i>RMB million</i>	<b>%</b>
Direct sales	<b>57,460</b>	<b>35.6</b>	<b>-3.9</b>	59,783	41.0
Insurance agents	<b>95,630</b>	<b>59.2</b>	<b>22.7</b>	77,961	53.4
Among which:					
Individual insurance agents	<b>52,271</b>	<b>32.4</b>	<b>24.2</b>	42,080	28.8
Ancillary insurance agents	<b>25,750</b>	<b>15.9</b>	<b>1.8</b>	25,306	17.4
Professional insurance agents	<b>17,609</b>	<b>10.9</b>	<b>66.5</b>	10,575	7.2
Insurance brokers	<b>8,472</b>	<b>5.2</b>	<b>3.5</b>	8,182	5.6
<b>Total</b>	<b><u>161,562</u></b>	<b><u>100.0</u></b>	<b><u>10.7</u></b>	<b><u>145,926</u></b>	<b><u>100.0</u></b>

Gross written premiums of the Company and its subsidiaries were RMB161,893 million in the first half of 2016, representing an increase of RMB15,661 million (or 10.7%) from RMB146,232 million in the first half of 2015. The steady growth of the overall business was largely driven by the relatively rapid business development of the motor vehicle insurance, accidental injury and health insurance, liability insurance, credit and surety insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB108,397 million in the first half of 2016, representing an increase of RMB9,590 million (or 9.7%) from RMB98,807 million in the first half of 2015. In the first half of 2016, the domestic new car sales growth rebounded, and the Company and its subsidiaries took a positive approach to the deregulation of premium rates of commercial motor vehicle insurance, adopted proactive underwriting policies, strengthened performance appraisal and incentives, and continued to implement plans to improve the transferred-in rate of high-quality business. As a result, there was an obvious effect on regaining of the existing business, and the new and transferred-in business drove the steady growth of the gross written premiums of the motor vehicle insurance segment.

Gross written premiums of the commercial property insurance segment of the Company and its subsidiaries were RMB7,804 million in the first half of 2016, representing a decrease of RMB401 million (or -4.9%) from RMB8,205 million in the first half of 2015. In the first half of 2016, the competition had intensified progressively with the downturn of the commercial property insurance market, and there was a decline in the business of the Company and its subsidiaries in relation to the comprehensive insurance of commercial property insurance and the machinery damage insurance.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB7,323 million in the first half of 2016, representing an increase of RMB1,204 million (or 19.7%) from RMB6,119 million in the first half of 2015. In the first half of 2016, the Company and its subsidiaries, while maintaining the fast growth in traditional business such as the product liability insurance, employer's liability insurance, public liability insurance and medical liability insurance, continued to devote greater efforts in the promotion of innovative products and diversified business. Innovative business, such as the comprehensive insurance for the first set of major technical equipment, liability insurance for the preservation of properties subject to litigation, extended maintenance and repair liability insurance for motor vehicles, family member's liability insurance, online shopping freight loss insurance and cloud computing service liability insurance, became new points of growth.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB16,429 million in the first half of 2016, representing an increase of RMB4,250 million (or 34.9%) from RMB12,179 million in the first half of 2015. Largely due to a rapid growth in the critical illness insurance business, the Company's market share in the health insurance business further increased. In addition, a relatively rapid growth was also achieved in the Company and its subsidiaries' accidental injury insurance for construction projects, motor vehicle drivers and passengers and the borrowers.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB1,614 million in the first half of 2016, representing a decrease of RMB181 million (or -10.1%) from RMB1,795 million in the first half of 2015. In the first half of 2016, the international shipping market was at a low level and the overcapacity in the domestic traditional industries as well as the decline in the import and export trade had led to a reduction in the cargo insurance sources and decline in premium rates.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB12,777 million in the first half of 2016, representing an increase of RMB189 million (or 1.5%) from RMB12,588 million in the first half of 2015. In the first half of 2016, with the further opening of the agriculture insurance market, the competition in the market intensified, and it was difficult to maintain the explosive growth of the overall business as achieved during the initial development phase of the agriculture insurance. The points of business growth of the agriculture insurance of the Company and its subsidiaries were mainly focused on animal breeding insurance business.

In the first half of 2016, gross written premiums of other insurance segment of the Company and its subsidiaries were RMB7,549 million, representing an increase of RMB1,010 million (or 15.4%) from RMB6,539 million in the first half of 2015. The business of the Company and its subsidiaries in terms of short-term export credit insurance, individual credit loan surety insurance, and credit insurance for loan losses of financial institutions achieved a relatively rapid growth.

### NET EARNED PREMIUMS

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	<b>102,211</b>	91,588
Commercial property insurance	<b>4,038</b>	4,264
Liability insurance	<b>4,673</b>	4,065
Accidental injury and health insurance	<b>8,957</b>	6,700
Cargo insurance	<b>1,114</b>	1,240
Agriculture insurance	<b>4,855</b>	4,883
Other insurance	<b>3,308</b>	3,000
	<hr/>	<hr/>
Total	<b>129,156</b>	115,740
	<hr/> <hr/>	<hr/> <hr/>

Net earned premiums of the Company and its subsidiaries were RMB129,156 million in the first half of 2016, representing an increase of RMB13,416 million (or 11.6%) from RMB115,740 million in the first half of 2015.

## NET CLAIMS INCURRED

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

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Net claims incurred</b>	<b>Loss ratio</b>	<b>Net claims incurred</b>	<b>Loss ratio</b>
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Motor vehicle insurance	<b>(59,819)</b>	<b>(58.5)</b>	(56,550)	(61.7)
Commercial property insurance	<b>(2,038)</b>	<b>(50.5)</b>	(2,011)	(47.2)
Liability insurance	<b>(2,587)</b>	<b>(55.4)</b>	(2,223)	(54.7)
Accidental injury and health insurance	<b>(7,870)</b>	<b>(87.9)</b>	(5,547)	(82.8)
Cargo insurance	<b>(448)</b>	<b>(40.2)</b>	(452)	(36.5)
Agriculture insurance	<b>(3,130)</b>	<b>(64.5)</b>	(2,880)	(59.0)
Other insurance	<b>(1,834)</b>	<b>(55.4)</b>	(1,453)	(48.4)
<b>Total</b>	<b><u>(77,726)</u></b>	<b><u>(60.2)</u></b>	<b><u>(71,116)</u></b>	<b><u>(61.5)</u></b>

Net claims incurred of the Company and its subsidiaries in the first half of 2016 were RMB77,726 million, representing an increase of RMB6,610 million (or 9.3%) from RMB71,116 million in the first half of 2015. The loss ratio in the first half of 2016 was 60.2%, representing a decrease of 1.3 percentage points compared to 61.5% in the first half of 2015.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB59,819 million in the first half of 2016, representing an increase of RMB3,269 million (or 5.8%) from RMB56,550 million in the first half of 2015. The loss ratio decreased by 3.2 percentage points from 61.7% in the first half of 2015 to 58.5% in the first half of 2016. In the first half of 2016, the Company and its subsidiaries strengthened the underwriting risk control, optimised the business structure and enhanced the business quality, thereby achieving a continuous increase in the percentage of family-owned vehicle business and a decline in the claim frequency of motor vehicle insurance. Meanwhile, as a result of the multi-faceted reinforcement of cost control in the settlement of claims through measures such as strengthening of control over allocation of resources on classified car agencies, deepening of vertical management and control over spare parts and man hours, enhancing resource delivery and repair as well as price management, the loss ratio of the motor vehicle insurance segment decreased compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB2,038 million in the first half of 2016, representing an increase of RMB27 million (or 1.3%) from RMB2,011 million in the first half of 2015. The loss ratio increased by 3.3 percentage points from 47.2% in the first half of 2015 to 50.5% in the first half of 2016. The loss ratio of the commercial property insurance segment in the first half of 2016 increased due to the negative impact of natural catastrophes such as torrential rains and floods across China and the tornado which hit Yancheng, Jiangsu Province, on 23 June.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB2,587 million in the first half of 2016, representing an increase of RMB364 million (or 16.4%) from RMB2,223 million in the first half of 2015. The loss ratio increased by 0.7 percentage points from 54.7% in the first half of 2015 to 55.4% in the first half of 2016. Compared to the same period of last year, the claims incurred in relation to the employer's liability insurance, public liability insurance, medical liability insurance and school liability insurance of the Company and its subsidiaries increased, resulting in a slight increase in the loss ratio of the liability insurance segment in the first half of 2016.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB7,870 million in the first half of 2016, representing an increase of RMB2,323 million (or 41.9%) from RMB5,547 million in the first half of 2015. The loss ratio increased by 5.1 percentage points from 82.8% in the first half of 2015 to 87.9% in the first half of 2016. In the first half of 2016, the critical illness insurance business experienced rapid development with broader coverage and higher protection, resulting in an increase in the overall loss ratio of the accidental injury and health insurance segment.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries were RMB448 million in the first half of 2016, representing a decrease of RMB4 million (or -0.9%) from RMB452 million in the first half of 2015. The loss ratio increased by 3.7 percentage points from 36.5% in the first half of 2015 to 40.2% in the first half of 2016. The loss ratio of the cargo insurance segment of the Company and its subsidiaries increased relatively in the first half of 2016.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB3,130 million in the first half of 2016, representing an increase of RMB250 million (or 8.7%) from RMB2,880 million in the first half of 2015. The loss ratio increased by 5.5 percentage points from 59.0% in the first half of 2015 to 64.5% in the first half of 2016. In the first half of 2016, due to the negative impact of natural catastrophes such as the cold spell in the southern China early this year and the recent torrential rains and floods across China, the disaster level of the planting insurance business of the Company and its subsidiaries was higher than that of the same period of last year.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB1,834 million in the first half of 2016, representing an increase of RMB381 million (or 26.2%) from RMB1,453 million in the first half of 2015. The loss ratio increased by 7.0 percentage points from 48.4% in the first half of 2015 to 55.4% in the first half of 2016. The loss ratio of engineering insurance of the Company and its subsidiaries increased relatively in the first half of 2016.

## TOTAL EXPENSES

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

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Total</b>	<b>Expense</b>	<b>Total</b>	<b>Expense</b>
	<b>expenses</b>	<b>ratio</b>	<b>expenses</b>	<b>ratio</b>
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Motor vehicle insurance	(37,733)	(36.9)	(31,116)	(34.0)
Commercial property insurance	(1,748)	(43.3)	(1,800)	(42.2)
Liability insurance	(1,696)	(36.3)	(1,522)	(37.4)
Accidental injury and health insurance	(1,069)	(11.9)	(1,409)	(21.0)
Cargo insurance	(467)	(41.9)	(559)	(45.1)
Agriculture insurance	(914)	(18.8)	(969)	(19.8)
Other insurance	(1,357)	(41.0)	(1,058)	(35.3)
<b>Total</b>	<b>(44,984)</b>	<b>(34.8)</b>	<b>(38,433)</b>	<b>(33.2)</b>

Total expenses of the Company and its subsidiaries were RMB44,984 million in the first half of 2016, representing an increase of RMB6,551 million (or 17.0%) from RMB38,433 million in the first half of 2015. The expense ratio increased by 1.6 percentage points from 33.2% in the first half of 2015 to 34.8% in the first half of 2016. In the first half of 2016, the Company strengthened market benchmarking, actively adjusted market strategy and implemented active sales policy, thereby reversing and achieving an increase in its market share and continuously improving its ability to obtain high-quality business. The underwriting expense ratio was 32.0%, representing an increase of 2.3 percentage points compared to that of the same period of last year. Meanwhile, the Company implemented a comprehensive budget management, adopted a cost-leading strategy, deepened the construction of thriftiness-oriented administrative organisations, and strictly controlled administrative expenses, resulting in an administrative expense ratio of 2.8%, representing a decrease of 0.7 percentage points compared to the same period of last year.

## UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2016		2015	
	Underwriting profit <i>RMB million</i>	Underwriting profit ratio %	Underwriting profit/(loss) <i>RMB million</i>	Underwriting profit/(loss) ratio %
Motor vehicle insurance	4,659	4.6	3,922	4.3
Commercial property insurance	252	6.2	453	10.6
Liability insurance	390	8.3	320	7.9
Accidental injury and health insurance	18	0.2	(256)	(3.8)
Cargo insurance	199	17.9	229	18.4
Agriculture insurance	811	16.7	1,034	21.2
Other insurance	117	3.6	489	16.3
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>6,446</b>	<b>5.0</b>	<b>6,191</b>	<b>5.3</b>

The Company and its subsidiaries recorded an underwriting profit of RMB6,446 million in the first half of 2016, representing an increase of RMB255 million (or 4.1%) from RMB6,191 million in the first half of 2015; and the underwriting profit ratio was 5.0%, representing a decrease of 0.3 percentage points from 5.3% in the first half of 2015.

## INVESTMENT RESULTS

### Composition of Investment Assets

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

	30 June 2016		31 December 2015	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	21,111	6.1	22,828	6.6
Term deposits	87,109	25.2	98,663	28.7
Debt securities	113,810	33.0	107,404	31.2
Equity securities and mutual funds	62,049	18.0	68,714	20.0
Investments classified as loans and receivables	42,489	12.3	30,052	8.7
Investment properties	4,831	1.4	4,783	1.4
Investments in associates	10,890	3.1	8,584	2.5
Other investment assets ( <i>Note</i> )	3,055	0.9	2,997	0.9
Total investment assets	<u>345,344</u>	<u>100.0</u>	<u>344,025</u>	<u>100.0</u>

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

In the first half of 2016, while maintaining the overall size of the investment assets, the Company timely adjusted the composition of investment assets with reference to the circumstances of the capital market and its own risk preferences and improved the quality of the investment portfolio, thereby achieving a balance between profit earning and risk taking.

In the first half of 2016, the Company actively seized the operating opportunities in the market and adjusted the relative percentage of equity securities held by the Company at appropriate time. Premised on strict risk control and ensuring the safe return of principals and interests, the Company increased the allocation of investments in infrastructure debt securities investment schemes and asset management products and prudently allocated investments in corporate bonds with high credit ratings and high quality, with a view to expanding the channels for fund utilisation and increasing the investment yield.

On 23 June 2016, the Company entered into the capital increase agreement with PICC Health and the shareholders of PICC Health, pursuant to which PICC Health shall increase its capital by way of issuance of 2,118,644,067 new shares, representing approximately 24.73% of the total issued capital of PICC Health after the completion of the capital increase, all of which shall be subscribed by the Company for a consideration of approximately RMB2,500 million.



## Investment Income

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Rental income from investment properties	125	134
Interest income	6,263	6,159
Dividend income	1,614	1,299
	<hr/>	<hr/>
Total of interest, dividend and rental income	<b>8,002</b>	<b>7,592</b>
	<hr/> <hr/>	<hr/> <hr/>

In the first half of 2016, investment income of the Company and its subsidiaries was RMB8,002 million, representing an increase of RMB410 million (or 5.4%) from RMB7,592 million in the first half of 2015. In the first half of 2016, the Company steadily expanded the scale of its fixed-income investment assets, which led to an increase in interest income by RMB104 million (or 1.7%) compared to the same period of last year. Meanwhile, as a result of continuous improvement of dividend distribution level and mechanism of listed companies, the dividend income increased by RMB315 million (or 24.2%) compared to the same period of last year.

## Net Realised and Unrealised (Losses)/Gains on Investments

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Realised (losses)/gains on investments	(593)	5,449
Unrealised (losses)/gains on investments	(22)	22
Fair value gains on investment properties	57	72
	<hr/>	<hr/>
Total of net realised and unrealised (losses)/gains on investments	<b>(558)</b>	<b>5,543</b>
	<hr/> <hr/>	<hr/> <hr/>

In the first half of 2016, as a result of the impacts of the capital market volatility, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB558 million, and the realised losses on investments were RMB593 million.

## OVERALL RESULTS

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<b>13,628</b>	18,548
Income tax expense	<b>(2,980)</b>	(4,126)
Profit attributable to owners of the parent	<b>10,648</b>	14,422
Total assets ( <i>Note</i> )	<b>451,963</b>	420,420

*Note:* Based on the data as at 30 June 2016 and 31 December 2015.

### PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB13,628 million in the first half of 2016, representing a decrease of RMB4,920 million (or -26.5%) from RMB18,548 million in the first half of 2015.

### INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,980 million in the first half of 2016, representing a decrease of RMB1,146 million from RMB4,126 million in the first half of 2015. The decrease in the income tax expense of the Company and its subsidiaries was primarily due to a decrease in the profit before tax in the first half of 2016.

### PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB3,774 million from RMB14,422 million in the first half of 2015 to RMB10,648 million in the first half of 2016. Basic earnings per share attributable to owners of the parent in the first half of 2016 was RMB0.718.

## CASH FLOWS

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

	Six months ended 30 June	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	<b>5,349</b>	11,092
Net cash flows from/(used in) investing activities	<b>1,037</b>	(17,607)
Net cash flows (used in)/from financing activities	<b>(8,103)</b>	7,802
Net (decrease)/increase in cash and cash equivalents	<b>(1,717)</b>	1,287

In the first half of 2016, the net cash flows from operating activities of the Company and its subsidiaries were RMB5,349 million, representing a decrease of RMB5,743 million (or -51.8%) from RMB11,092 million in the first half of 2015. On one hand, due to the intensifying market competition and other reasons, the amount of underwriting related expenses and their percentages to the cash flow from premiums increased relatively. On the other hand, the finance-backed business of the Company such as critical illness insurance and student loan credit insurance developed rapidly and their percentages over the Company's business increased. For reasons such as the government funding for such business had not yet been received, or the premiums were paid by installments, the premium receivables for the first half of 2016 increased relatively, thereby impacting the cash inflow accordingly.

In the first half of 2016, the net cash flows from investing activities of the Company and its subsidiaries were RMB1,037 million, representing an increase of cash inflow of RMB18,644 million compared to the first half of 2015, mainly due to the maturity of debt securities investments, equity securities investments and term deposits.

In the first half of 2016, the net cash flows used in financing activities of the Company and its subsidiaries were RMB8,103 million, representing an increase of cash outflow of RMB15,905 million compared to the first half of 2015, mainly due to the redemption of RMB5 billion subordinated debt issued in 2011 and repurchase transactions of securities sold under agreements to repurchase.

As at 30 June 2016, the cash and cash equivalents of the Company and its subsidiaries were RMB21,111 million.

## LIQUIDITY

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

In October 2014 and December 2006, the Company issued fixed-rate subordinated term debts of RMB8 billion and RMB3 billion, respectively, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

Save for the subordinated term debts mentioned above, the Company and its subsidiaries did not obtain working capital by way of borrowing.

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

## **CAPITAL EXPENDITURE**

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information systems. Capital expenditure of the Company and its subsidiaries was RMB949 million in the first half of 2016.

## **SOLVENCY MARGIN REQUIREMENT**

In February 2015, the CIRC issued the C-ROSS and the insurance industry entered into the C-ROSS transition period. Under the C-ROSS, a risk-oriented supervision regime is established to scientifically and comprehensively measure the risks faced by insurance companies and more closely correlate capital requirements with risks. Based on the trial operations during the transition period and as approved by the State Council, the CIRC decided to implement C-ROSS formally with the *Regulatory Rules on the Solvency Margin of Insurance Companies Nos. 1-17* becoming effective from 1 January 2016.

As at 30 June 2016, the Company and its subsidiaries' actual capital was RMB119,676 million, core capital was RMB107,334 million, minimum capital was RMB42,805 million, comprehensive solvency margin ratio was 279.6%, and core solvency margin ratio was 250.8%.

## **GEARING RATIO**

As at 30 June 2016, the gearing ratio (*Note*) of the Company and its subsidiaries was 72.7%, representing an increase of 2.5 percentage points from 70.2% as at 31 December 2015.

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

## **CONTINGENT EVENT**

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

There were certain pending legal proceedings for the Company and its subsidiaries as at 30 June 2016. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

## **CREDIT RISK**

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

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

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

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

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

## **EXCHANGE RATE RISK**

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

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

## **INTEREST RATE RISK**

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

## **INTEREST RATE SWAPS**

The Company's financial assets which bear interests at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As at 30 June 2016, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB100 million.

## **DEVELOPMENT OF NEW PRODUCTS**

In the first half of 2016, the Company closely tracked the market focus and customer demands and submitted a total of 468 insurance provisions and premium rates to the insurance regulatory authorities for approval and filing, consisting of 50 national provisions and premium rates, 418 regional provisions and premium rates, 403 main insurance provisions and premium rates and 65 rider provisions and premium rates.

As at 30 June 2016, the Company had 9,805 insurance provisions in operation and use, of which 4,706 were national provisions and 5,099 were regional provisions.

## EMPLOYEES

As at 30 June 2016, the Company had 170,223 employees. In the first half of 2016, the Company and its subsidiaries paid a total remuneration of RMB13,175 million to their employees, which mainly included basic salaries, performance-related bonus, and various insurances and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

## LOOKING FORWARD

In 2016, the Company is faced with a complex situation which is both encouraging and worrying on both internal and external fronts. **From the macro-environmental perspective**, the pressure caused by the downward trend of our country's macro-economy will continue and the sluggish development of the traditional non-motor insurance business is unlikely to experience an obvious improvement in the near future; the acceleration of the supply-side structural reform, the continuously deepening facilitation of the national governance modernisation, the full scale launch of the campaign to alleviate poverty have brought more room for development for the Company in terms of deepening the development of policy-supported insurance business such as agriculture insurance, critical illness insurance and poverty alleviation insurance, accelerating the development of liability insurance, people's livelihood-related insurance and governance insurance, and innovating and developing new types of commercial non-motor insurance business. **From the perspective of the development of the industry**, the commencement of full scale deregulation of premium rates of commercial motor vehicle insurance and the continued intensification of market competition present a new challenge to the Company in its grasp of market development initiative; with the opening up of the agriculture insurance operators, new business models and new business operators are emerging from time to time, leading to double pressure arising from the intensified competition in the industry as well as cross-business competition, thereby presenting a serious challenge for the Company's leading market position.

Faced with the current complex internal and external situations, the Company needs to maintain its development determination, firmly carry out the key tasks such as deregulation of premium rates of commercial motor vehicle insurance, the construction of the ground e-commerce sales service team, the process management of the motor vehicle insurance sales, further expansion and development of the key types of insurance and policy-supported business, the regional coordinated development and the management and control of the catastrophe claim settlement, expense and premium receivables, so as to ensure the completion of the targets set and various work planned for the whole year.

## **INTERIM DIVIDEND**

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2016.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2016.

## **REVIEW OF INTERIM RESULTS**

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2016.

## **DEFINITIONS**

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

“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“C-ROSS”	China Risk-oriented Solvency System
“Director(s)”	director(s) of the Company
“PICC Group”	The People's Insurance Company (Group) of China Limited



“PICC Health”	PICC Health Insurance Company Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Beijing, the PRC  
26 August 2016

*As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Lin Zhiyong (executive director), the non-executive directors are Mr. Wang Yincheng, Ms. Yu Xiaoping and Mr. Li Tao, Mr. Wang He is an executive director and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi, Mr. Ma Yusheng and Mr. Chu Bende.*