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中国人民保险集团股份有限公司

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

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

(Stock Code: 1339)

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

The Board of Directors (the “Board”) of The People’s Insurance Company (Group) of China Limited (the “Company”) announces the following unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period last year, which should be read in conjunction with the following management discussion and analysis.

CONDENSED FINANCIAL STATEMENTS AND MATERIAL NOTES

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Gross written premiums	4	264,578	226,928
Less: premiums ceded to reinsurers	4	(18,159)	(17,192)
Net written premiums	4	246,419	209,736
Change in unearned premium reserves		(17,948)	(16,244)
Net earned premiums		228,471	193,492
Reinsurance commission income		6,088	5,206
Investment income	5	15,079	27,605
Other income		1,154	1,013
TOTAL INCOME		250,792	227,316
Life insurance death and other benefits paid		73,925	63,427
Claims incurred		90,164	82,075
Changes in long-term life insurance contract liabilities		20,755	14,128
Policyholder dividends		1,928	2,534
Claims and policyholders' benefits:		186,772	162,164
Less: claims and policyholders' benefits ceded to reinsurers		(8,922)	(8,344)
Net claims and policyholders' benefits		177,850	153,820
Handling charges and commissions		25,570	16,821
Finance costs		2,039	2,276
Exchange gains		(233)	–
Other operating and administrative expenses		34,422	34,961
TOTAL BENEFITS, CLAIMS AND EXPENSES		239,648	207,878
Share of profits and losses of associates and joint ventures		3,426	2,929
PROFIT BEFORE TAX	6	14,570	22,367
Income tax expense	7	(3,286)	(4,335)
PROFIT FOR THE PERIOD		11,284	18,032
Attributable to:			
Equity holders of the parent		7,725	12,821
Non-controlling interests		3,559	5,211
		11,284	18,032
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in RMB)			
– Basic	9	0.18	0.30

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited) (Restated)
PROFIT FOR THE PERIOD		11,284	18,032
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		(4,980)	18,371
– Reclassification of losses/(gains) to profit on disposals	5(b)	548	(10,742)
– Impairment losses	5(d)	185	13
Income tax effect		1,062	(1,837)
		(3,185)	5,805
Net losses on cash flow hedges		(4)	(1)
Income tax effect		1	–
		(3)	(1)
Share of other comprehensive income of associates and joint ventures		435	352
Exchange differences on translating foreign operations		22	8
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		(2,731)	6,164
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)
		109	76
Actuarial gains/(losses) on pension benefit obligation		102	(46)
Share of other comprehensive expense of associates and joint ventures		(51)	–
NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		160	30
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX		(2,571)	6,194
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,713	24,226
Attributable to:			
– Equity holders of the parent		5,806	17,586
– Non-controlling interests		2,907	6,640
		8,713	24,226

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2016**(Amounts in millions of Renminbi, unless otherwise stated)*

	<i>Notes</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
ASSETS			
Cash and cash equivalents		39,882	49,884
Derivative financial assets		4	8
Debt securities		279,157	232,147
Equity securities, mutual funds and trust schemes		123,917	125,275
Insurance receivables, net	<i>10</i>	48,820	21,558
Reinsurance assets		28,642	26,542
Term deposits		118,702	148,097
Restricted statutory deposits		9,412	9,914
Investments classified as loans and receivables		130,567	110,485
Investments in associates and joint ventures	<i>11</i>	55,393	53,308
Investment properties		10,458	10,358
Property and equipment		23,182	23,095
Intangible assets		933	1,005
Prepaid land premiums		3,869	3,941
Deferred tax assets		5,540	2,251
Other assets		23,798	25,600
		<hr/>	<hr/>
TOTAL ASSETS		902,276	843,468
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Securities sold under agreements to repurchase		23,788	28,231
Income tax payable		3,627	3,117
Due to banks and other financial institutions		980	980
Subordinated debts		34,054	39,210
Insurance contract liabilities		554,160	507,686
Investment contract liabilities for policyholders		36,556	27,601
Policyholder dividends payable		7,531	8,114
Pension benefit obligation		2,810	2,990
Deferred tax liabilities		1,054	1,455
Other liabilities		74,287	66,889
		<hr/>	<hr/>
TOTAL LIABILITIES		738,847	686,273
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
EQUITY			
Issued capital	<i>12</i>	42,424	42,424
Reserves		78,515	73,677
		<hr/>	<hr/>
Equity attributable to equity holders of the parent		120,939	116,101
Non-controlling interests		42,490	41,094
		<hr/>	<hr/>
TOTAL EQUITY		163,429	157,195
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		902,276	843,468
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent														Non-controlling interests	Total equity
	Share capital (note 12)	Share premium account	Available-for-sale investment revaluation reserve (Restated)	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures (Restated)	Foreign currency translation reserve	Surplus reserve fund*	Other reserves**	Actuarial gains/(losses) on pension benefit obligation	Retained profits	Subtotal		
Balance at 1 January 2016 (Audited)	42,424	19,925	5,840	5,770	1,300	2,232	(3)	594	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	7,725	7,725	3,559	11,284
Other comprehensive (expense)/income	-	-	(2,407)	-	-	75	(3)	298	16	-	-	102	-	(1,919)	(652)	(2,571)
Total comprehensive (expense)/income	-	-	(2,407)	-	-	75	(3)	298	16	-	-	102	7,725	5,806	2,907	8,713
Dividends paid to shareholders (note 8)	-	-	-	-	-	-	-	-	-	-	-	-	(959)	(959)	(1,574)	(2,533)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(9)	-	-	(9)	63	54
Balance as at 30 June 2016 (Unaudited)	42,424	19,925	3,433	5,770	1,300	2,307	(6)	892	(33)	1,101	(15,019)	(591)	59,436	120,939	42,490	163,429

* This reserve contains both statutory and discretionary surplus reserves.

** Other reserves contain an amount of RMB76 million (31 December 2015: RMB85 million) arising from transactions with non-controlling interests, a negative amount of RMB17,942 million (31 December 2015: 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 2015: RMB2,847 million) arising from a major shareholder's undertaking to post-employment benefit obligations of the Company.

	Attributable to equity holders of the parent														Non-controlling interests	Total equity
	Share capital (note 12)	Share premium account	Available-for-sale investment revaluation reserve (Restated)	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures (Restated)	Foreign currency translation reserve	Surplus reserve fund	Other reserves	Retained profits	Subtotal			
Balance as at 1 January 2015 (Audited)	42,424	19,925	1,951	4,011	497	1,966	5	191	(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)	-	-	4,487	-	-	52	(1)	266	7	-	-	(46)	4,765	1,429	6,194	
Total comprehensive income/(expense)	-	-	4,487	-	-	52	(1)	266	7	-	-	12,775	17,586	6,640	24,226	
Dividends paid to shareholders (note 8)	-	-	-	-	-	-	-	-	-	-	-	(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	6,438	4,011	497	2,018	4	457	(89)	802	(15,030)	48,343	109,800	38,026	147,826	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Net cash from operating activities	21,497	11,593
Net cash used in investing activities	(20,700)	(10,702)
Net cash (used in)/from financing activities	(10,859)	11,343
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(10,062)	12,234
Cash and cash equivalents at the beginning of the period	49,884	39,307
Effects of exchange rate changes on cash and cash equivalents	60	(1)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>39,882</u>	<u>51,540</u>

NOTES:

1. CORPORATE INFORMATION

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, Dongheyuan 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.

The Company is an investment holding company. During the six months ended 30 June 2016, 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.

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 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 therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

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

Amendments to IAS 1 – Disclosure Initiative

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

Commencing from 1 January 2016, share of OCI from associates or joint ventures 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 of OCI in 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 and joint ventures in the condensed consolidated statement of changes in equity.

Apart from this, none of the above amendments to IFRSs 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 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 the segment's 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.

Segment revenue and results for the six months ended 30 June 2016:

(Unaudited)	Non-life insurance <i>in RMB million</i>	Life insurance <i>in RMB million</i>	Health insurance <i>in RMB million</i>	Asset management <i>in RMB million</i>	Head- quarters <i>in RMB million</i>	Others <i>in RMB million</i>	Eliminations <i>in RMB million</i>	Total <i>in RMB million</i>
Net earned premiums	129,467	82,133	16,871	-	-	-	-	228,471
Reinsurance commission income	5,849	142	97	-	-	-	-	6,088
Investment income	6,644	7,625	725	191	3,873	58	(4,037)	15,079
Other income	635	272	40	555	14	148	(510)	1,154
TOTAL INCOME								
- SEGMENT REVENUE	142,595	90,172	17,733	746	3,887	206	(4,547)	250,792
- External income	142,438	90,036	17,725	505	(11)	99	-	250,792
- Intersegment income	157	136	8	241	3,898	107	(4,547)	-
Net claims and policyholders' benefits	77,883	83,337	16,630	-	-	-	-	177,850
Handling charges and commissions	21,189	4,169	432	-	-	-	(220)	25,570
Finance costs	517	861	206	1	442	12	-	2,039
Exchange gains	(137)	(58)	(2)	-	(36)	-	-	(233)
Other operating and administrative expenses	30,453	2,905	617	343	273	192	(361)	34,422
TOTAL BENEFITS, CLAIMS AND EXPENSES	129,905	91,214	17,883	344	679	204	(581)	239,648
Share of profits and losses of associates and joint ventures	1,606	1,495	-	(2)	310	-	17	3,426
PROFIT/(LOSS) BEFORE TAX	14,296	453	(150)	400	3,518	2	(3,949)	14,570
Income tax (expense)/credit	(2,988)	(49)	(52)	(93)	(111)	-	7	(3,286)
PROFIT/(LOSS) FOR THE PERIOD								
- SEGMENT RESULTS	11,308	404	(202)	307	3,407	2	(3,942)	11,284

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

(Unaudited)	Non-life insurance <i>in RMB million</i>	Life insurance <i>in RMB million</i>	Health insurance <i>in RMB million</i>	Asset management <i>in RMB million</i>	Head- quarters <i>in RMB million</i>	Others <i>in RMB million</i>	Eliminations <i>in RMB million</i>	Total <i>in RMB million</i>
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 (gains)/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 and joint ventures	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

Segment assets and liabilities as at 30 June 2016 and 31 December 2015 are as follows:

	Non-life insurance <i>in RMB million</i>	Life insurance <i>in RMB million</i>	Health insurance <i>in RMB million</i>	Asset management <i>in RMB million</i>	Head- quarters <i>in RMB million</i>	Others <i>in RMB million</i>	Eliminations <i>in RMB million</i>	Total <i>in RMB million</i>
30 June 2016 (Unaudited)								
Segment assets	<u>455,374</u>	<u>372,560</u>	<u>46,241</u>	<u>9,195</u>	<u>108,606</u>	<u>5,652</u>	<u>(95,352)</u>	<u>902,276</u>
Segment liabilities	<u>340,588</u>	<u>339,127</u>	<u>40,691</u>	<u>1,699</u>	<u>20,726</u>	<u>2,710</u>	<u>(6,694)</u>	<u>738,847</u>
31 December 2015 (Audited)								
Segment assets	<u>421,793</u>	<u>357,560</u>	<u>32,831</u>	<u>9,087</u>	<u>105,728</u>	<u>5,588</u>	<u>(89,119)</u>	<u>843,468</u>
Segment liabilities	<u>312,499</u>	<u>322,467</u>	<u>29,421</u>	<u>1,717</u>	<u>20,369</u>	<u>2,647</u>	<u>(2,847)</u>	<u>686,273</u>

The headquarters, non-life and life segments hold equity interests of 0.91%, 6.45% and 6.70%, respectively, in the Industrial Bank Co., Ltd. (“Industrial Bank”), an associate of the Group. These interests are accounted for as available-for-sale financial assets in the financial statements of the Company and of other principal subsidiaries. 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

(In RMB millions)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
(a) Gross written premiums		
Long-term life insurance premiums	94,528	73,867
Short-term life insurance premiums	8,070	6,761
Non-life insurance premiums	<u>161,980</u>	<u>146,300</u>
Total	<u><u>264,578</u></u>	<u><u>226,928</u></u>
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	(329)	(176)
Short-term life insurance premiums ceded to reinsurers	(1,524)	(1,323)
Non-life insurance premiums ceded to reinsurers	<u>(16,306)</u>	<u>(15,693)</u>
Total	<u><u>(18,159)</u></u>	<u><u>(17,192)</u></u>
Net written premiums	<u><u>246,419</u></u>	<u><u>209,736</u></u>

5. INVESTMENT INCOME

(In RMB millions)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Dividend, interest and rental income (a)	15,929	16,454
Realised (losses)/gains (b)	(688)	11,037
Fair value gains (c)	23	127
Impairment losses (d)	<u>(185)</u>	<u>(13)</u>
Total	<u><u>15,079</u></u>	<u><u>27,605</u></u>

(a) Dividend, interest and rental income*(In RMB millions)*

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Operating lease income from investment properties	<u>224</u>	<u>191</u>
Interest income		
Current and term deposits	4,070	4,874
Debt securities		
– Held-to-maturity	2,970	3,017
– Available-for-sale	2,845	2,637
– Held-for-trading	23	52
Derivative financial assets	14	16
Loans and receivables	<u>3,736</u>	<u>3,212</u>
Subtotal	<u>13,658</u>	<u>13,808</u>
Dividend income		
Equity securities and mutual funds		
– Available-for-sale	1,686	2,152
– Held-for-trading	<u>361</u>	<u>303</u>
Subtotal	<u>2,047</u>	<u>2,455</u>
Total	<u><u>15,929</u></u>	<u><u>16,454</u></u>

(b) Realised (losses)/gains*(In RMB millions)*

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Debt securities		
– Available-for-sale	98	90
– Held-for-trading	23	20
Equity securities and mutual funds		
– Available-for-sale	(646)	10,652
– Held-for-trading	<u>(163)</u>	<u>275</u>
Total	<u><u>(688)</u></u>	<u><u>11,037</u></u>

(c) Fair value gains*(In RMB millions)*

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Debt securities		
– Held-for-trading	(8)	14
Equity securities and mutual funds		
– Held-for-trading	(79)	40
Investment properties	<u>110</u>	<u>73</u>
Total	<u><u>23</u></u>	<u><u>127</u></u>

(d) Impairment losses*(In RMB millions)*

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Equity securities and mutual funds		
– Available-for-sale	<u>(185)</u>	<u>(13)</u>

6. PROFIT BEFORE TAX

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

(In RMB millions)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Employee costs	16,974	16,614
Depreciation of property and equipment	970	1,060
Impairment losses recognised on insurance receivables (<i>note 10</i>)	364	544
Impairment losses recognised on other assets	180	4
Minimum lease payments under operating leases in respect of land and buildings	496	374
Amortisation of intangible assets and prepaid land premiums	<u>161</u>	<u>146</u>

7. INCOME TAX EXPENSE

(In RMB millions)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Current income tax		
– Charge for the period	5,949	6,660
– Adjustments in respect of current tax of previous periods	–	13
Deferred income tax	<u>(2,663)</u>	<u>(2,338)</u>
Total	<u>3,286</u>	<u>4,335</u>

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 2015: 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.

8. DIVIDENDS

(In RMB millions)

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Final dividends recognised as distribution during the period:		
Year 2014 Final – RMB0.94671 cent per share	–	402
Year 2015 Final – RMB2.26005 cent per share	<u>959</u>	<u>–</u>

The Company has determined that no interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil) will be paid.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 and the six months ended 30 June 2015 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 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Profit attributable to equity holders of the parent for the period <i>(in RMB millions)</i>	<u>7,725</u>	<u>12,821</u>
Number of ordinary shares <i>(in million shares)</i>	<u>42,424</u>	<u>42,424</u>
Basic earnings per share <i>(in RMB)</i>	<u><u>0.18</u></u>	<u><u>0.30</u></u>

No diluted earnings per share has been presented for the six months ended 30 June 2016 and 2015 as the Group had no potential ordinary shares in issue during the periods.

10. INSURANCE RECEIVABLES, NET

<i>(In RMB millions)</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Insurance receivables	52,051	24,427
Less: impairment provision on insurance receivables	(3,231)	(2,869)
Total	<u><u>48,820</u></u>	<u><u>21,558</u></u>

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

<i>(In RMB millions)</i>	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
At the beginning of the period	2,869	2,689
Impairment losses recognised <i>(note 6)</i>	364	544
Amount written off as uncollectible	(2)	(71)
At the end of the period	<u><u>3,231</u></u>	<u><u>3,162</u></u>

- (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:

<i>(In RMB millions)</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Not yet due and within 3 months	37,264	18,769
3 to 6 months	9,468	1,136
6 to 12 months	1,068	1,321
1 to 2 years	920	241
Over 2 years	100	91
	<hr/>	<hr/>
Total	48,820	21,558
	<hr/> <hr/>	<hr/> <hr/>

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.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2016 and 31 December 2015 are as follows:

<i>(In RMB millions)</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Associates		
Cost of investment in associates	37,402	37,402
Share of post-acquisition profits and other comprehensive income	15,101	13,016
	<hr/>	<hr/>
Subtotal	52,503	50,418
	<hr/>	<hr/>
Joint ventures		
Cost of investment in joint ventures	2,890	2,890
	<hr/>	<hr/>
Total	55,393	53,308
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2016, except for the 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.

As permitted by International Accounting Standard 28 “Investments in Associates and Joint Ventures”, for the six months ended 30 June 2016, the Group accounts for the share of profit of Industrial Bank from 1 October 2015 to 31 March 2016.

On 23 May 2016, a shareholders’ meeting of Industrial Bank approved a final dividend in respect of the year ended 31 December 2015 and the Group recognised the dividend income of RMB1,634 million 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.

12. SHARE CAPITAL

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Issued and fully paid ordinary shares of RMB1 each (<i>in million shares</i>)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	<u>42,424</u>	<u>42,424</u>
Share capital (<i>in RMB million</i>)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	<u>42,424</u>	<u>42,424</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 Property and Casualty Company Limited ("PICC P&C") and The People's Insurance Company of China (Hong Kong) Limited ("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 Insurance Company Limited ("PICC Life"), in which the Company directly and indirectly holds 80.0% equity interest, and the health insurance segment includes PICC Health Insurance Company Limited ("PICC Health") in which the Company directly and indirectly holds 95.45% equity interest; and the asset management business constitutes the asset management segment and primarily includes PICC Asset Management Company Limited ("PICC AMC"), PICC Investment Holding Co., Ltd ("PICC Investment Holding"), PICC Capital Investment Management Company Limited ("PICC Capital") and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), in which the Company respectively holds 100% equity interest.

KEY OPERATING INDICATORS

(1) Key Operating Data

	<i>Unit: RMB in millions, except for percentages</i>		
	For the Six Months Ended 30 June		
	2016	2015	(% of change)
Original Premiums Income			
PICC P&C	161,562	145,926	10.7
PICC Life	81,899	67,156	22.0
PICC Health	20,320	12,848	58.2
Combined ratio of PICC P&C (%)	95.0	94.7	Increase of 0.3 pt
Value of half year's new business of PICC Life ⁽¹⁾	2,880	1,839	56.6
Value of half year's new business of PICC Health ⁽¹⁾	303	162	87.0
Total investment yield (annualised) (%)	5.0	8.8	Decrease of 3.8 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2016	As of 31 December 2015	(% of change)
Market share ⁽²⁾			
PICC P&C (%)	34.9	33.4	Increase of 1.5 pt
PICC Life (%)	5.8	5.6	Increase of 0.2 pt
PICC Health (%)	1.5	1.0	Increase of 0.5 pt
Embedded Value of PICC Life	53,905	53,028	1.7
Embedded Value of PICC Health	6,924	4,473	54.8

	As of 30 June 2016	As of 31 December 2015 (unaudited) ⁽³⁾	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	282	295	Decrease of 13 pt
PICC P&C	280	284	Decrease of 4 pt
PICC Life	176	216	Decrease of 40 pt
PICC Health	245	205	Increase of 40 pt
Core solvency margin ratio (%)			
PICC Group	230	235	Decrease of 5 pt
PICC P&C	251	245	Increase of 6 pt
PICC Life	147	183	Decrease of 36 pt
PICC Health	222	175	Increase of 47 pt

⁽¹⁾ Value of the first half year's new business of PICC Life and PICC Health for the six months ended 30 June 2015 was calculated based on the assumptions and capital requirements as of 31 December 2015.

⁽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.

⁽³⁾ Comprehensive solvency margin ratios and core solvency margin ratios of the Group, PICC P&C, PICC Life and PICC Health as of 31 December 2015 are calculated in accordance with the regulatory requirements under "Solvency II" and are not audited.

For the six months ended 30 June 2016, adhering to its key aspiration of “Maintaining stable growth, focusing on reform and innovation 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, while making an orderly advance in its reform and innovation. For the six months ended 30 June 2016, the market share of PICC P&C in the P&C insurance market was 34.9%, the market share of PICC Life in life and health insurance market was 5.8% and the market share of PICC Health in life and health insurance market was 1.5%. In terms of the total written premiums (the “TWPs”), for the six months ended 30 June 2016, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB161,562 million, RMB90,295 million, RMB24,665 million and HKD68 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 41.5% to RMB21,797 million for the six months ended 30 June 2016 from RMB15,406 million for the same period in 2015. As of 30 June 2016, the number of policyholders who purchased two or more types of property, life and health insurance products reached 4.4591 million, representing a 7.8% increase compared to the same period in 2015, and the number of policies purchased by such policyholders on average increased to 4.76 policies per person.

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

For the Six Months Ended 30 June

	2016	2015	(% of change)
Gross written premiums	264,578	226,928	16.6
P&C Insurance	161,980	146,300	10.7
Life Insurance	82,278	67,780	21.4
Health Insurance	20,320	12,848	58.2
Profit before tax	14,570	22,367	(34.9)
Net profit	11,284	18,032	(37.4)
Net profit attributable to equity holders of the Company	7,725	12,821	(39.7)
Earnings per share (RMB)	0.18	0.30	(39.7)
Weighted average return on equity (annualised) (%)	13.0	25.3	Decrease of 12.3 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2016	As of 31 December 2015	(% of change)
Total assets	902,276	843,468	7.0
Total liabilities	738,847	686,273	7.7
Total equity	163,429	157,195	4.0
Net assets per share (RMB)	2.85	2.74	4.2
Gearing ratio ⁽¹⁾ (%)	81.9	81.4	Increase of 0.5 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 4.0% to RMB163,429 million as of 30 June 2016 from RMB157,195 million as of 31 December 2015. The Group's gross written premiums ("GWPs") increased by 16.6% to RMB264,578 million for the six months ended 30 June 2016 from RMB226,928 million for the same period in 2015. In the circumstances of continuous capital market downturn, decline in investment income and frequent natural disaster, the Group's net profit decreased by 37.4% to RMB11,284 million for the six months ended 30 June 2016 from RMB18,032 million for the same period in 2015. Profit attributable to equity holders of the Company dropped by 39.7% to RMB7,725 million for the six months ended 30 June 2016 from RMB12,821 million for the same period in 2015. Given the scale of decrease in profits, the weighted average return on equity of the Group decreased by 12.3 percentage points to 13.0% for the six months ended 30 June 2016 from 25.3% for the same period in 2015.

Net assets per share of the Group increased by 4.2% to RMB2.85 as of 30 June 2016 from RMB2.74 as of 31 December 2015. The Group's earnings per share decreased by 39.7% to RMB0.18 for the six months ended 30 June 2016 from RMB0.30 for the same period in 2015. The Group's gearing ratio increased by 0.5 percentage points to 81.9% as of 30 June 2016 from 81.4% as of 31 December 2015.

P&C INSURANCE BUSINESS

In the first half of 2016, the Group's P&C insurance segment overcame the downward pressure on macro-economy, rose to the market challenge and adapted to the adjustment arising from replacement of business tax with value added tax and took the initiative to reform the commercial motor vehicle insurance premium rate. PICC P&C achieved an Original Premiums Income of RMB161,562 million. Its incremental premium remained the top in the market and its market share were increasing. By continuously improving its professional capabilities, PICC P&C kept its market leading position with outstanding market development and underwriting profits exceeding market average.

(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 Year Ended 30 June

	2016	2015	(% of change)
Motor vehicle insurance	108,404	98,813	9.7
Commercial property insurance	7,843	8,232	(4.7)
Liability insurance	7,354	6,144	19.7
Accidental injury and health insurance	16,430	12,179	34.9
Cargo insurance	1,616	1,798	(10.1)
Agricultural insurance	12,777	12,588	1.5
Other P&C insurance	7,556	6,546	15.4
Total	161,980	146,300	10.7

GWPs for the P&C insurance segment increased by 10.7% to RMB161,980 million for the six months ended 30 June 2016 from RMB146,300 million for the same period in 2015. The overall steady growth was largely driven by the rapid development in motor vehicle insurance, accidental injury and health insurance, liability insurance and credit insurance.

GWPs for motor vehicle insurance increased by 9.7% to RMB108,404 million for the six months ended 30 June 2016 from RMB98,813 million for the same period in 2015. In the first half year of 2016, the growth rate in sales volume of new vehicles in the PRC recovered. The P&C insurance segment reacted positively to the deregulation of premium rate for commercial motor vehicle insurance. We adopted aggressive marketing strategy to enhance the management of new policy issuance, policy renewal and policy transfer, which led to a steady growth in the motor vehicle insurance business.

GWPs for commercial property insurance decreased by 4.7% to RMB7,843 million for the six months ended 30 June 2016 from RMB8,232 million for the same period in 2015. In the first half year of 2016, competition in commercial property insurance business became increasingly fierce under the sluggish market condition and there was a decline in comprehensive property insurance and equipment damage insurance business, which had higher premium rate.

GWPs for liability insurance increased by 19.7% to RMB7,354 million for the six months ended 30 June 2016 from RMB6,144 million for the same period in 2015. In the first half of 2016, the P&C insurance segment maintained a rapid growth in traditional businesses, including product, employer, public and medical liability insurance on one hand, and continued to reinforce marketing of innovative products and diversified business, including integrated insurance of the first major technological equipment, liability insurance of property preservation during the course of proceeding, motor vehicle extended maintenance liability insurance, family member liability insurance, online shopping shipment fee damage loss insurance and cloud computing liability insurance have become our new business growing point.

GWPs for accidental injury and health insurance increased by 34.9% to RMB16,430 million for the six months ended 30 June 2016 from RMB12,179 million for the same period in 2015. In the first half year of 2016, the construction and engineering, motor vehicle and borrower accident insurance achieved a faster growth; at the same time, the critical illness 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 10.1% to RMB1,616 million for the six months ended 30 June 2016 from RMB1,798 million for the same period in 2015. In the first half of 2016, the international shipping market remained sluggish, domestic traditional industries had overcapacity, import and export trading declined and source from the cargo insurance market reduced and insurance premiums continued to decline.

GWPs for agricultural insurance increased by 1.5% to RMB12,777 million for the six months ended 30 June 2016 from RMB12,588 million for the same period in 2015. In the first half of 2016, with the full opening of agricultural insurance market, market competition became increasingly fiercer. Animal breeding insurance became the major growing point for the agricultural insurance division of P&C insurance segment.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 15.4% to RMB7,556 million for the six months ended 30 June 2016 from RMB6,546 million for the same period in 2015, of which short-term export credit insurance, personal loan credit insurance and financial institution loan credit loss insurance in P&C insurance segment recorded rapid growth.

(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 of 2016, PICC P&C implemented aggressive market strategy, upgraded the supply of insurance, accelerated new channel establishment, planned for internet strategic development, accelerated the transformation towards telemarketing and online sales and continuously optimized coordination between property, life and health insurance, which led to continuous fast growth in the business.

Unit: RMB in millions, except for percentages
For the Six Months Ended 30 June

	2016		2015		
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	95,630	59.2	22.7	77,961	53.4
Among which:					
Individual insurance agents	52,271	32.4	24.2	42,080	28.8
Ancillary insurance agents	25,750	15.9	1.8	25,306	17.4
Professional insurance agents	17,609	10.9	66.5	10,575	7.2
Direct sales	57,460	35.6	(3.9)	59,783	41.0
Insurance brokerage	8,472	5.2	3.5	8,182	5.6
Total	161,562	100.0	10.7	145,926	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

	2016	2015	(% of change)
Net earned premiums	129,467	116,015	11.6
Investment income	6,644	12,633	(47.4)
Other income	635	536	18.5
Total income	142,595	134,422	6.1
Net claims and policyholders' benefits	77,883	71,293	9.2
Handling charges and commissions	21,189	14,190	49.3
Finance costs	517	788	(34.4)
Other operating and administrative expenses	30,453	30,510	(0.2)
Total benefits, claims and expenses	129,905	116,799	11.2
Profit before tax	14,296	19,175	(25.4)
Income tax expense	(2,988)	(4,116)	(27.4)
Net profit	11,308	15,059	(24.9)

Net earned premiums

Benefiting from the rapid development in the motor vehicle insurance, accidental injury and health insurance, liability insurance, and credit insurance businesses, net earned premiums of the P&C insurance segment increased by 11.6% to RMB129,467 million for the six months ended 30 June 2016 from RMB116,015 million for the same period in 2015.

Investment Income

Investment income of the P&C insurance segment decreased by 47.4% to RMB6,644 million for the six months ended 30 June 2016 from RMB12,633 million for the same period in 2015. This was primary due to the adverse fluctuation in equity market and lower yield from new investment and reinvestment under the current low interest rate environment.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 9.2% to RMB77,883 million for the six months ended 30 June 2016 from RMB71,293 million for the same period in 2015, of which the loss ratio of PICC P&C reduced by 1.3 percentage points to 60.2% for the six months ended 30 June 2016 from 61.5% for the same period in 2015. The P&C insurance segment reinforced underwriting, improved claims handling, cost and pricing, procedure control, resources allocation and loss of professionals, kept strengthening issue identification capability and core competitiveness, continuously improved the quality of the motor vehicle insurance business, which led to the decrease in loss ratio.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 49.3% to RMB21,189 million for the six months ended 30 June 2016 from RMB14,190 million for the same period in 2015. The increase in handling charges and commissions were mainly due to faster growth of business scale, increased input into quality businesses, and the intensified market competition.

Finance costs

Finance costs of the P&C insurance segment decreased by 34.4% to RMB517 million for the six months ended 30 June 2016 from RMB788 million for the same period in 2015. Decrease in finance costs was mainly due to decrease in subordinated debts and decrease in interest expenses from securities sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, net profit of the P&C insurance segment decreased by 24.9% to RMB11,308 million for the six months ended 30 June 2016 from RMB15,059 million for the same period in 2015.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half of 2016, benefiting from guidance of national policy, accumulation of family wealth and increasing awareness of insurance, life insurance industry entered into a rapid development stage. The Group's life insurance segment proactively seized the opportunities of industry development, firmly implemented transformation and development strategy of "Stabilizing growth, Emphasizing value, Strengthening the foundation", which improved business structure, significantly boosted business value and further showed the result of transformation and development. As at the end of June 2016, the Original Premiums Income of the Group's life insurance segment increased 22.0% as compared to the same period last year. Our life insurance segment ranked fourth in the market, one place up from the end of last year.

1. Analysis by Product

According to the statistics of Original Premiums Income, income from various products of the life insurance segment during the relevant reporting periods is as follows:

Unit: RMB in millions, except for percentages

For the Six Months Ended 30 June

Life insurance products	2016		2015	
	Amount	(% of total)	Amount	(% of total)
Traditional life and health insurance	70,285	85.8	58,355	86.9
Participating life insurance	10,098	12.3	7,014	10.4
Universal life insurance	44	0.1	41	0.1
Accidental injury and short-term health insurance	1,472	1.8	1,747	2.6
Total	81,899	100.0	67,156	100.0

In terms of TWPs, for the six months ended 30 June 2016, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB71,995 million, RMB11,180 million, RMB5,648 million, RMB1,472 million, respectively, of which traditional insurance business maintained strong growth momentum with an increase of 23.4% compared to the same period last year, first-year regular premiums increased 226.4% compared to the same period last year, which was mainly due to the growth in products with insurance protection and financial management function that are in line with market demand.

2. Analysis by Channel

According to statistics of the Original Premiums Income, income of life insurance segment by distribution channel during the relevant 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

	2016	2015	(% of change)
Bancassurance	50,206	45,385	10.6
First-year business of			
long-term insurance	48,428	43,467	11.4
Single premiums	44,386	42,911	3.4
First-year regular premiums	4,042	556	626.8
Renewal business	1,697	1,817	(6.6)
Short-term insurance	82	101	(19.1)
Individual Insurance	24,267	15,729	54.3
First-year business of long-term			
insurance	19,670	12,657	55.4
Single premiums	14,103	10,249	37.6
First-year regular premiums	5,567	2,408	131.2
Renewal business	4,126	2,398	72.1
Short-term insurance	471	674	(30.1)
Group Insurance	7,426	6,042	22.9
First-year business of long-term			
insurance	6,500	5,010	29.8
Single premiums	6,426	5,009	28.3
First-year regular premiums	74	1	8,359.9
Renewal business	6	61	(89.8)
Short-term insurance	920	972	(5.4)
Total	81,899	67,156	22.0

In terms of TWPs, for the six months ended 30 June 2016, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB53,138 million, RMB26,589 million and RMB10,567 million, respectively.

In the life insurance segment, the sales capability of individual insurance channel stably improved and the number of sales improved significantly. Development was achieved with the growth of high value business and there was a significant increase in first-year regular premiums. As of 30 June 2016, the number of insurance agents for the life insurance segment was 155,917. In 2016, the first-year TWPs per capita from sales agent amounted to RMB7,902 per month, and the number of new life insurance policies per capita was 1.55 per month. Bancassurance channel achieved stable growth while focusing on value transformation and development of regular premiums business, and the TWPs of first-year regular premiums achieved six-times growth as compared to the same period in 2015. The group insurance channel focused on legal person business and government cooperative business and strived to increase the sales capability of group insurance, which led to a stable growth in premiums.

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:

Item	For the Six Months Ended 30 June	
	2016	2015
13-month premium persistency ratio ⁽¹⁾ (%)	89.5	88.4
25-month premium persistency ratio ⁽²⁾ (%)	84.3	83.4

⁽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

	2016	2015	(% of change)
Net earned premiums	82,133	67,468	21.7
Investment income	7,625	13,037	(41.5)
Other income	272	160	70.0
Total income	90,172	80,682	11.8
Net claims and policyholders' benefits	83,337	72,614	14.8
Handling charges and commissions	4,169	2,575	61.9
Finance costs	861	787	9.4
Other operating and administrative expenses	2,905	3,039	(4.4)
Total benefits, claims and expenses	91,214	78,995	15.5
Profit before tax	453	2,849	(84.1)
Income tax expense	(49)	(194)	(74.7)
Net Profit	404	2,655	(84.8)

Net earned premiums

Net earned premiums for the life insurance segment increased by 21.7% to RMB82,133 million for the six months ended 30 June 2016 from RMB67,468 million for the same period in 2015, mainly due to clear development philosophy, favorable business transformation measures, major products which meet the needs of market and customers and improving service quality.

Investment income

The investment income of the life insurance segment decreased by 41.5% to RMB7,625 million for the six months ended 30 June 2016 from RMB13,037 million for the same period in 2015, mainly due to adverse fluctuation in equity market and lower yield of new investment and reinvestment under low interest rate environment.

Other income

Other income of the life insurance segment increased by 70.0% to RMB272 million for the six months ended 30 June 2016 from RMB160 million from the same period in 2015. This was mainly attributable to increase in income from management fees for deposits of policyholders.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment increased by 14.8% to RMB83,337 million for the six months ended 30 June 2016 from RMB72,614 million for the same period in 2015. This was mainly due to increase in maturities and surrenders of policies.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 61.9% to RMB4,169 million for the six months ended 30 June 2016 from RMB2,575 million for the same period in 2015, mainly due to the increases in first-year regular premiums income, optimization of business structure and increase in product fees as compared to the same period in 2015.

Finance costs

Finance costs of the life insurance segment increased by 9.4% to RMB861 million for the six months ended 30 June 2016 from RMB787 million for the same period in 2015, which was mainly due to increase in interests credited to policyholders' deposits and investment amounts.

Net profit

Mainly attributable to the factors mentioned above, net profit of the life insurance segment decreased by 84.8% to RMB404 million for the six months ended 30 June 2016 from RMB2,655 million for the same period in 2015.

(2) Health Insurance

In the first half year of 2016, under the guidance of “Speed up transformation and develop through innovation” and based on the operational direction of “Profession with feature, transformation with effectiveness, turnaround with results”, the health insurance segment of the Group vigorously promoted coordinated development of the three major business segments, namely government commission business, business health insurance business and health management business. The Group’s health insurance segment adjusted and optimized product portfolio. Business with high embedded value grew rapidly. First year regular premium of individual insurance premiums increased by 123.7% as compared to the same period in 2015. The group insurance and short-term insurance premiums increased by 31.6% as compared to the same period in 2015. The value of half year’s new business increased by 87.0% as compared to same period in 2015. The embedded value increased by 54.8% as compared to 31 December 2015, continuously enhancing value creation capabilities.

1. Analysis by Product

According to the statistics of Original Premiums Income, income from various products of the health insurance segment for the relevant reporting periods is as follows:

Unit: RMB in millions, except for percentages
For the Six Months Ended 30 June

Health insurance products	2016		2015	
	Amount	(% of total)	Amount	(% of total)
Illness insurance	290	1.4	183	1.4
Medical insurance	6,175	30.4	4,663	36.3
Disability income losses insurance	55	0.3	56	0.4
Nursing care insurance	13,293	65.4	7,466	58.1
Accidental injury insurance	326	1.6	259	2.0
Participating endowment insurance	181	0.9	222	1.7
Total	20,320	100.0	12,848	100.0

In terms of TWPs, for the six months ended 30 June 2016, the TWPs of illness insurance, medical insurance, disability income losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance amounted to RMB290 million, RMB10,045 million, RMB55 million, RMB13,768 million, RMB326 million and RMB181 million, respectively.

2. Analysis by Channel

According to the statistics of Original Premiums Income, income from various products of the health insurance segment by distribution channel during the relevant reporting periods, 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

	2016	2015	(% of change)
Bancassurance	10,777	6,525	65.2
First-year business of long-term insurance	10,634	6,379	66.7
Single premiums	10,577	6,324	67.3
First-year regular premiums	57	54	5.6
Renewal business	140	144	(2.8)
Short-term insurance	2	1	100.0
Individual Insurance	2,781	1,334	108.5
First-year business of long-term insurance	2,507	1,158	116.5
Single premiums	2,252	1,044	115.7
First-year regular premiums	255	114	123.7
Renewal business	224	137	63.5
Short-term insurance	50	39	28.2
Group Insurance	6,763	4,990	35.5
First-year business of long-term insurance	215	14	1,435.7
Single premiums	215	13	1,553.8
First-year regular premiums	1	–	–
Renewal business	2	2	–
Short-term insurance	6,546	4,974	31.6
Total	20,320	12,848	58.2

In terms of TWPs, for the six months ended 30 June 2016, the TWPs from the bancassurance, individual insurance and group insurance amounted to RMB10,820 million, RMB2,893 million and RMB10,953 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 2016, the number of sales agents for the health insurance segment was 23,654. First-year TWPs received per sales agent amounted to RMB4,768 per month and the number of new insurance policies sold per sales agent was 0.85 per month. The Bancassurance channel actively seized development opportunities, increased efforts in supervision and training, reinforced channel cooperation and continuously improved the professional skills, endeavored to business structure transformation, achieved good results for business development and stable growth in first-year regular premiums of new policies. With regard to the group insurance channel, government commission business had further development and basic medical insurance processing business achieved a breakthrough. With regard to the commercial group insurance business, it continued to strengthen its innovation and further extend business scale, which recorded a rapid growth in capacity per agent.

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:

Item	For the Six Months Ended 30 June	
	2016	2015
13-month premium persistency ratio ⁽¹⁾ (%)	79.5	77.9
25-month premium persistency ratio ⁽²⁾ (%)	71.7	77.0

⁽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 periods indicated:

Unit: RMB in millions, except for percentages
For the Six Months Ended 30 June

	2016	2015	(% of change)
Net earned premiums	16,871	10,009	68.6
Investment income	725	1,269	(42.9)
Other income	40	46	(13.0)
Total income	17,733	11,275	57.3
Net claims and policyholders' benefits	16,630	9,913	67.8
Handling charges and commissions	432	242	78.5
Finance costs	206	227	(9.3)
Other operating and administrative expenses	617	805	(23.4)
Total benefits, claims and expenses	17,883	11,187	59.9
Profit before tax	(150)	88	–
Income tax expense	(52)	–	–
Net profit	(202)	88	–

Net earned premiums

Net earned premiums of the health insurance segment increased by 68.6% to RMB16,871 million for the six months ended 30 June 2016 from RMB10,009 million for the same period in 2015. This was mainly due to the rapid growth of business.

Investment income

Investment income from the health insurance segment decreased by 42.9% to RMB725 million for the six months ended 30 June 2016 from RMB1,269 million for the same period in 2015. This was primary due to the adverse fluctuation in equity market and lower yield of new investment and reinvestment under the low interest rate environment.

Other income

Other income from the health insurance segment decreased 13.0% to RMB40 million for the six months ended 30 June 2016 from RMB46 million for the same period in 2015. This was mainly due to the decrease in income from relevant charges of universal products.

Net claims and policyholders' benefits

Net claims and policyholders' benefits from the health insurance segment increased by 67.8% to RMB16,630 million for the six months ended 30 June 2016 from RMB9,913 million for the same period in 2015, mainly due to the rapid growth in business resulting in higher withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of the health insurance segment increased by 78.5% to RMB432 million for the six months ended 30 June 2016 from RMB242 million for the same period in 2015. This was mainly due to the rapid growth of business.

Finance costs

Finance costs from the health insurance segment decreased by 9.3% to RMB206 million for the six months ended 30 June 2016 from RMB227 million for the same period in 2015, primarily due to the decrease in the interests credited for universal products and the decrease in interest expenses of securities sold under the agreements to repurchase.

Net profit

Mainly attributable to the factors mentioned above, net loss from the health insurance segment amounted to RMB202 million for the six months ended 30 June 2016 compared to net profit of RMB88 million for the same period in 2015.

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:

	<i>Unit: RMB in millions</i>	
	For the Six Months Ended 30	
	June	
	2016	2015
Jiangsu Province	22,366	19,041
Guangdong Province	19,615	17,202
Shandong Province	17,520	14,193
Zhejiang Province	16,760	14,777
Hebei Province	15,482	12,508
Sichuan Province	14,417	12,139
Beijing City	14,178	10,794
Liaoning Province	10,256	8,777
Anhui Province	10,132	8,024
Hubei Province	9,895	8,287
Other regions	113,160	100,189
Total	263,781	225,931

Asset management business

In the first half of 2016, the Group's asset management segment overcame certain adverse factors, such as unfavorable fluctuation of capital market, continuously low bond yield, frequent occurrence of credit risk and sharp decline in the issuance of asset management products in the industry. It seized market opportunities to invest in debt products and bank financial products, which helped maintain a stable investment return and effectively reduced investment risk. On the basis of developing traditional equity and debt products, the asset management segment enhanced development of the Group's strategic investment projects. It proactively developed inclusive finance segment, coordinated the development of major insurance business and extended new channel for utilisation of insurance fund. The equity linked products of the asset management segment had a registered scale of RMB2,000 million. The debt linked products had a registered scale of RMB5,210 million, ranking the sixth in the industry. The registered scale of asset-backed scheme was RMB800 million. As at 30 June 2016, the scale of entrusted third-party and the offered insurance assets management products of PICC AMC amounted to RMB183,522 million.

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

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

	2016	2015	(% of change)
Investment income	191	439	(56.5)
Other income	555	457	21.4
Total income	746	896	(16.7)
Finance costs	1	7	(85.7)
Other operating and administrative expenses	343	326	5.2
Total expenses	344	333	3.3
Profit before tax	400	563	(29.0)
Income tax expense	(93)	(147)	(36.7)
Net profit	307	416	(26.2)

Investment income

Investment income from the asset management segment decreased by 56.5% to RMB191 million for the six months ended 30 June 2016 from RMB439 million for the same period in 2015, 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, but the influence of which was weaker for the same period in 2016.

Other income

Other income from the asset management segment increased by 21.4% to RMB555 million for the six months ended 30 June 2016 from RMB457 million for the same period in 2015, mainly due to the growth in asset management changes.

Finance costs

Finance costs for the asset management segment decreased by 85.7% to RMB1 million for the six months ended 30 June 2016 from RMB7 million for the same period in 2015. This is mainly due to the decrease in interest expenses of financial assets sold under the agreements to repurchase.

Net profit

Mainly attributable to the factors mentioned above, net profit of the asset management segment decreased by 26.2% to RMB307 million for the six months ended 30 June 2016 from RMB416 million for the same period in 2015.

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

Investment assets	As of 30 June 2016		As of 31 December 2015	
	Carrying amount	(% of total)	Carrying amount	(% of total)
Cash and cash equivalents	39,882	5.2	49,884	6.7
Fixed-income investments	410,152	53.2	393,503	53.0
Term deposits	118,702	15.4	148,097	19.9
Fixed-income securities	279,157	36.2	232,147	31.3
Government bonds	13,192	1.7	12,942	1.7
Financial bonds	102,054	13.2	107,578	14.5
Corporate bonds	163,911	21.3	111,627	15.0
Other fixed-income investments ⁽¹⁾	12,293	1.6	13,259	1.8
Equity and fund investments				
at fair value	108,243	14.1	109,663	14.8
Securities investment funds	73,192	9.5	77,755	10.5
Equity securities	35,051	4.5	31,908	4.3
Other investments	212,096	27.5	189,771	25.5
Subordinated debts and debt investment schemes	105,256	13.7	100,355	13.5
Investment in associates and joint ventures	55,393	7.2	53,308	7.2
Others ⁽²⁾	51,447	6.7	36,108	4.9
Total investment assets	770,373	100.0	742,821	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 periods indicated:

Unit: RMB in millions, except for percentages

For the Six Months Ended 30 June

Items	2016	2015
Cash and cash equivalents	266	306
Fixed-income investment	9,997	10,725
Interest income	9,884	10,601
Net realised gains/(losses)	121	110
Net unrealised gains/(losses)	(8)	14
Impairment	–	–
Equity and fund investments at fair value	974	13,409
Dividend income	2,047	2,455
Net realized gains/(losses)	(809)	10,927
Net unrealized gains/(losses)	(79)	40
Impairment	(185)	(13)
Other investment income/(loss)	7,268	6,094
Total investment income	18,505	30,534
Total investment yield (annualised) ⁽¹⁾ (%)	5.0	8.8
Net investment yield (annualised) ⁽²⁾ (%)	5.3	5.6

⁽¹⁾ Total investment yield = (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 = (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		
	2016	2015	(% of change)
Net cash flow from operating activities	21,497	11,593	85.4
Net cash flow used in investment activities	(20,700)	(10,702)	93.4
Net cash flow (used in)/from financing activities	(10,859)	11,343	—

(2) Solvency

The Group calculated and disclosed the actual capital, core capital, minimum capital, comprehensive solvency margin ratio and core solvency margin ratio in accordance with relevant CIRC requirements.

	<i>Unit: RMB in millions, except for percentages</i>		
	As of 30 June 2016	As of 31 December 2015 (Unaudited) ⁽¹⁾	(% of change)
PICC Group			
Actual capital	197,766	198,150	(0.2)
Core capital	161,664	157,883	2.4
Minimum capital	70,242	67,143	4.6
Comprehensive solvency margin ratio (%)	282	295	Decrease of 13 pt
Core solvency margin ratio (%)	230	235	Decrease of 5 pt
PICC P&C			
Actual capital	119,676	121,478	(1.5)
Core capital	107,334	104,783	2.4
Minimum capital	42,805	42,824	–
Comprehensive solvency margin ratio (%)	280	284	Decrease of 4 pt
Core solvency margin ratio (%)	251	245	Increase of 6 pt
PICC Life			
Actual capital	43,051	45,314	(5.0)
Core capital	35,934	38,365	(6.3)
Minimum capital	24,475	20,935	16.9
Comprehensive solvency margin ratio (%)	176	216	Decrease of 40 pt
Core solvency margin ratio (%)	147	183	Decrease of 36 pt
PICC Health			
Actual capital	7,066	4,551	55.3
Core capital	6,402	3,883	64.9
Minimum capital	2,889	2,220	30.1
Comprehensive solvency margin ratio (%)	245	205	Increase of 40 pt
Core solvency margin ratio (%)	222	175	Increase of 47 pt

⁽¹⁾ Comprehensive solvency margin ratios and core solvency margin ratios of the Group, PICC P&C, PICC Life and PICC Health as of 31 December 2015 are calculated (unaudited) in accordance with the regulatory rules under “Solvency II System”.

As of 30 June 2016, the comprehensive solvency margin ratio of the Group was 282%, representing a decrease of 13 percentage points as compared to that as of 31 December 2015; and the core solvency margin ratio was 230%, representing a decrease of 5 percentage points as compared to that as of 31 December 2015.

As of 30 June 2016, the comprehensive solvency margin ratio of PICC P&C was 280%, representing a decrease of 4 percentage points as compared to the ratio as of 31 December 2015; and the core solvency margin ratio was 251%, representing an increase of 6 percentage points as compared to the ratio as of 31 December 2015. The comprehensive solvency margin ratio of PICC Life was 176%, representing a decrease of 40 percentage points as compared to the ratio as of 31 December 2015; the core solvency margin ratio was 147%, representing a decrease of 36 percentage points as compared to the ratio as of 31 December 2015. The comprehensive solvency margin ratio of PICC Health was 245%, representing an increase of 40 percentage points as compared to the ratio as of 31 December 2015; the core solvency margin ratio was 222%, representing an increase of 47 percentage points as compared to the ratio as of 31 December 2015.

PROSPECTS

(1) Market Environment

During the first half of 2016, 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 RMB1.9 trillion for the first half of 2016, representing an increase of 37.3% as compared to the same period last year. The Original Premiums Income of the P&C insurance companies and the life and health insurance companies recorded an increase of 8.5% and 50.3%, respectively, as compared to the same period last year; by the end of June 2016, total insurance assets of the insurance industry in China amounted to RMB14.3 trillion, representing an increase of 15.4% as compared to the beginning of 2016.

Since the beginning of the year, in order to adapt to the "new normal" economic development, the central government made effort to promote supply-side structure reform, firmly implemented the development philosophy of innovation, coordination, environmental protection, openness and sharing, launched a series of policies in order to stabilize growth, promote reform, adjust structure and improve people's well-being, which provide structural development opportunities for the innovative development of insurance business. Firstly, supply-side structure reform and innovation-driven development strategy provides support to the innovation of insurance industry, and opportunity to serve small and micro enterprises. Secondly, the central government focused on the full-fledged development by introducing aggressive anti-poverty strategy, which provided a favorable opportunity for innovation of related products and service in insurance industry, development of benefiting financial products in rural area and further establishment of service system of critical illness insurance. Thirdly, the government actively streamlined mechanism and delegated power, creating new opportunity for the rapid development of liability insurance. Fourthly, aging population fueled the development of insurance product for the elderly. Promotion of healthcare and elderly-care service industry provides new room for the development of "sliver economy".

(2) Key Work

In the second half of 2016, the Company will firmly establish the philosophy in five major aspects, including innovation, coordination, environmental protection, openness and sharing. Under the guidance of the Group's 13th five-year plan, we will continue the transformation towards "customer-oriented business", keep following the working guidance of maintaining a stable growth, focusing its effort in reform and innovation, strengthening value creation, enhancing professional capability, deepening transformation and reinforcing risk control. Meanwhile, we will make overall consideration, strengthen our execution ability and ensure the achievement of our annual objectives and missions. Firstly, we will enhance the pertinence of work and practically focus on the major areas of each business. We will continue to consolidate the market position of PICC P&C, significantly advance the development transformation of PICC P&C, accelerate the establishment of profit model and health management model of PICC Health, adhere to prudent investment strategy and strengthen the matching of assets and liabilities in order to secure a stable investment income for the Group. Secondly, we will reinforce goals direction and achieve a balanced work coordination. Besides properly handling the relationship between targeted market and targeted plan, we also make plan for the long-term development during the "Thirteenth Five-year Plan" under existing work. Thirdly, we will strengthen our execution ability to finalize the Group's reform and deployment. We will arrange the schedule for the Group's major projects, focus on the critical part in the reform and improve the coordination in the reform. Fourthly, we will reinforce risk control with a bottom line of avoiding new systematic risk. We will prevent credit risk in investment aspect, improve measure for cash flow risk and strengthen the establishment of basic internal control. Fifthly, we will take responsibility in relation to fighting natural disaster and disaster relief. We will endeavour to fight natural disaster and practically take responsibility to protect the public interests.

EMBEDDED VALUE

1. Result Summary

This section summarizes the Embedded Value of PICC Life and PICC Health as at 30 June 2016, as well as the Value of Half Year's New Business for the 6 months up to 30 June 2016 with 10% as the discount rate (RMB in millions):

	PICC Life	PICC Health
Value of In-Force Business before CoC	21,198	1,706
Cost of Capital	(1,702)	(287)
Value of In-Force Business after CoC	19,496	1,419
Adjusted Net Worth	34,409	5,505
Embedded Value	53,905	6,924
Value of Half Year's New Business before CoC	3,448	385
Cost of Capital	(567)	(82)
Value of Half Year's New Business after CoC	2,880	303

Note: Figures may not add up to total due to rounding.

The Value of Half Year's New Business for the 6 months up to 30 June 2016 and the 6 months up to 30 June 2015 of PICC Life and PICC Health by distribution channel are summarized below (RMB in millions):

	PICC Life		PICC Health	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Bancassurance Channel	472	462	31	36
Individual insurance agent Channel	2,083	1,088	185	88
Group insurance sales Channel	324	270	87	38
Reinsurance	2	19	–	–
Total	2,880	1,839	303	162

Note: 1. Figures may not add up to total 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 31 December 2015.

The results disclosed in this report are based on 100% shareholding of PICC Life and PICC health.

2. Key Assumptions

For the results as at 30 June 2016 disclosed above, the assumption on risk discount rates is 10% and the assumption on the rate of investment return is 5.5% p.a. used by PICC Life and PICC Health. The corporate income tax rate is assumed to be 25% of the taxable income. The short-term accidental insurance business is subject to 5.5% business tax. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as future expectations on future experience and etc.

3. Sensitivity Tests

Sensitivity tests are based on a range of alternative assumptions. In each of the 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 for PICC Life at 30 June 2016 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10% (Note)	
	Value of In-Force Business after CoC	Value of Half Year's New Business after CoC
Base Scenario	19,496	2,880
Risk discount rate at 9.0%	21,298	3,406
Risk discount rate at 11.0%	17,970	2,436
Rate of investment return plus 50 bps	23,992	4,441
Rate of investment return less 50 bps	15,046	1,337
Expenses increased by 10%	19,236	2,468
Expenses reduced by 10%	19,756	3,292
Lapse rates increased by 10%	18,596	2,518
Lapse rates reduced by 10%	20,293	3,200
Mortality increased by 10%	19,303	2,838
Mortality reduced by 10%	19,691	2,923
Morbidity increased by 10%	19,383	2,843
Morbidity reduced by 10%	19,609	2,918
Short-term business claim ratio increased by 10%	19,448	2,832
Short-term business claim ratio reduced by 10%	19,544	2,929
Participating Ratio (80/20)	18,755	2,747
150% of Minimum Solvency Requirement	18,122	2,434
Taxable Income Based on China Accounting Standards	18,387	2,256

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

The results of sensitivity tests for PICC Health at 30 June 2016 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10% (Note)	
	Value of In-Force Business after CoC	Value of Half Year's New Business after CoC
Base Scenario	1,419	303
Risk discount rate at 9.0%	1,573	346
Risk discount rate at 11.0%	1,284	265
Rate of investment return plus 50 bps	1,784	424
Rate of investment return less 50 bps	1,076	182
Expenses increased by 10%	1,329	273
Expenses reduced by 10%	1,528	333
Lapse rates increased by 10%	1,399	284
Lapse rates reduced by 10%	1,485	340
Mortality increased by 10%	1,411	302
Mortality reduced by 10%	1,427	304
Morbidity increased by 10%	1,397	300
Morbidity reduced by 10%	1,441	307
Short-term business claim ratio increased by 10%	659	36
Short-term business claim ratio reduced by 10%	2,337	570
Participating Ratio (80/20)	1,398	302
150% of Minimum Solvency Requirement	1,244	254
Taxable Income Based on China Accounting Standards	1,383	301

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in the first half of 2016, and has adopted the recommended best practices under appropriate circumstances.

NO MATERIAL CHANGES

Save as disclosed in this announcement, after the publication of the annual report 2015, no material changes affecting the Company’s performance need to be disclosed under paragraph 46 (3) of Appendix 16 to the Listing Rules.

DIVIDEND

The Company does not declare any interim dividend for the first half of 2016.

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

In the first half of 2016, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

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 2016.

PUBLICATION OF THE INTERIM REPORT

The 2016 Interim Report of the Company will be published on the website of the Company (www.picc.com) and the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

On behalf of the Board

The People’s Insurance Company (Group) of China Limited

Wu Yan

Chairman

Beijing, the PRC

26 August 2016

As at the date of this announcement, the executive directors are Mr. Wu Yan, Mr. Wang Yincheng and Mr. Li Yuquan, the non-executive directors are Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Xu Dingbo, Mr. Luk Kin Yu, Peter and Mr. Lin Yixiang.