PICC 中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328

Interim Report 2018

Company Profile

The Company, the largest property and casualty insurance company in Mainland China, was established in July 2003 with PICC Group as its sole promoter. The Company became the first domestic financial enterprise listed overseas when the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 November 2003. The Company currently has a total share capital of 22,242,765,303 shares, of which 69% are held by PICC Group.

Principal Businesses

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

Contents

* In case of any discrepancy between the Chinese version and the English version of this interim report, the Chinese version shall prevail.

Financial Summary

RESULTS

	Six months ended 30 June		
	2018	2017	Increase
	RMB million	*RMB million*	*%*
Gross written premiums	**205,041**	179,683	14.1
Underwriting profit	**7,009**	6,516	7.6
Investment income	**8,782**	7,785	12.8
Share of profits of associates	**2,348**	2,240	4.8
Profit before tax	**16,856**	15,238	10.6
Income tax expense	**(4,765)**	(3,155)	51.0
Profit for the period	**12,091**	12,083	0.1

ASSETS AND LIABILITIES

	30 June 2018	31 December 2017	Increase
	RMB million	*RMB million*	*%*
Total assets	**563,585**	524,566	7.4
Total liabilities	**425,520**	391,452	8.7
Total equity	**138,065**	133,114	3.7

Gross written premiums
205,041
RMB million

Market share
34.0%

Underwriting profit
7,009
RMB million

Combined ratio
95.9%

Total investment income
10,929
RMB million

Annualised total investment yield 5.2%
Annualised net investment yield 4.2%

Profit for the period
12,091
RMB million

Basic earnings per share attributable to owners of the Company
0.544 RMB

Annualised return on equity
17.8%

Total assets
563,585
RMB million

Total equity
138,065
RMB million

Comprehensive solvency margin ratio
280%

Discussion and Analysis of Operating Results and Financial Conditions

OVERVIEW

In the first half of 2018, the national economy embraced new changes in its generally stable performance, financial regulators strictly defended the bottom lines, the process of bolstering areas of weakness and deleveraging was steadily promoted, the structural reform on the supply-side continued to deepen, and the process of reform and opening-up was steadily expedited. The property and casualty insurance industry witnessed continuously enhanced supervision and regulation, steady reform of the supervisory and regulatory authorities, continuous deepening of the deregulation of premium rate of commercial motor vehicle insurance and the co-existence of upgraded sector-wide competition and intensified cross-sector competition. The industry has entered a new cycle featured by accelerated shifting in driving forces for development and accelerated reshaping of the market structure.

Facing the opportunities and challenges, the Company implemented the new development concept, carried out the requirements for high-quality development, persevered with safeguarding the bottom line of no systemic risks, actively responded to the national strategies such as the "Belt and Road" Initiative, targeted poverty reduction, vitalisation of the rural areas, pollution prevention and control and Healthy China, actively served the overall economic and social development and the upgraded demand of individual consumers, adjusted its marketing strategy, upgraded its product supply, improved its service quality, strengthened its risk management and control, accelerated implementation of innovation-driven development strategy, digitalisation strategy and internationalisation strategy, actively promoted the integration of policy-backed business and commercial business and the integration of business model transformation and technological reform in order to better serve the development of the real economy, the modernisation of state governance and the people's ever-growing needs for a better life, so that the Company has had a good trend of steady progress with improvement in quality, and has made a good start in its transition to high-quality development with its development outperforming the market and its profitability better than the industry.

Striving for structural adjustment with development outperforming the market. In the first half of 2018, the gross written premiums of the Company and its subsidiaries reached RMB205,041 million, representing an increase of 14.1% compared to the same period of last year. Among which, the gross written premiums of the motor vehicle insurance business amounted to RMB122,433 million, representing an increase of 3.9% compared to the same period of last year, and the gross written premiums of the non-motor vehicle insurance business amounted to RMB82,608 million, representing an increase of 33.6% compared to the same period of last year. The gross written premiums of the non-motor insurance business accounted for 40.3% of the total gross written premiums, representing an increase of 5.9 percentage points compared to the same period of last year. The Company's market share in the PRC property and casualty insurance market was 34.0% *(Note)*, representing an increase of 0.9 percentage points compared to the end of 2017.

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

Gross written premiums

205,041 RMB million

Market share

34.0%

Dual driving forces from underwriting and investment contributed to a better-than-industry profitability. In the first half of 2018, the Company and its subsidiaries achieved a combined ratio of 95.9%, lower than the average level of the industry; underwriting profit was RMB7,009 million, representing an increase of 7.6% compared to the same period of last year; total investment income was RMB10,929 million, representing an increase of 9.6% compared to the same period of last year; profit before tax was RMB16,856 million, representing an increase of 10.6% compared to the same period of last year; profit for the period was RMB12,091 million, representing an annualised return on equity of 17.8% and continuing to stay at a market leading level.

Combined ratio

95.9%

Growth of assets and enhancement of comprehensive strengths. As at 30 June 2018, the total assets, total equity and the size of investment assets of the Company and its subsidiaries grew continuously. Its total assets reached RMB563,585 million, representing an increase of 7.4 % compared to the end of 2017; the total equity reached RMB138,065 million, representing an increase of 3.7% compared to the end of 2017; the total amount of investment assets reached RMB422,461 million, representing an increase of 1.7% compared to the end of 2017. The Company's core solvency margin ratio was 232% and the comprehensive solvency margin ratio was 280%, representing a steady increase compared to the end of 2017.

Core solvency margin ratio

232%

Comprehensive solvency margin ratio

280%

Improving the brand reputation by demonstrating its social responsibility. In the first half of 2018, the Company made efforts to build up its brand of "Considerate Services and New Technology-assisted Claim Settlement", launched the "Traffic Police-PICC Joint Action" in 39 provinces and municipalities, which aims at faster claim settlement, better services and traffic jam prevention, and carried out the claim settlement for major natural disasters such as the windstorm and hail in Xinjiang and the forest fires in Greater Khingan Range, Inner Mongolia, which were fully affirmed by the local governments and the people. The Company has won a number of awards including 2018 China insurance industry "Ark Award" for insurance companies with high-quality development.

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:

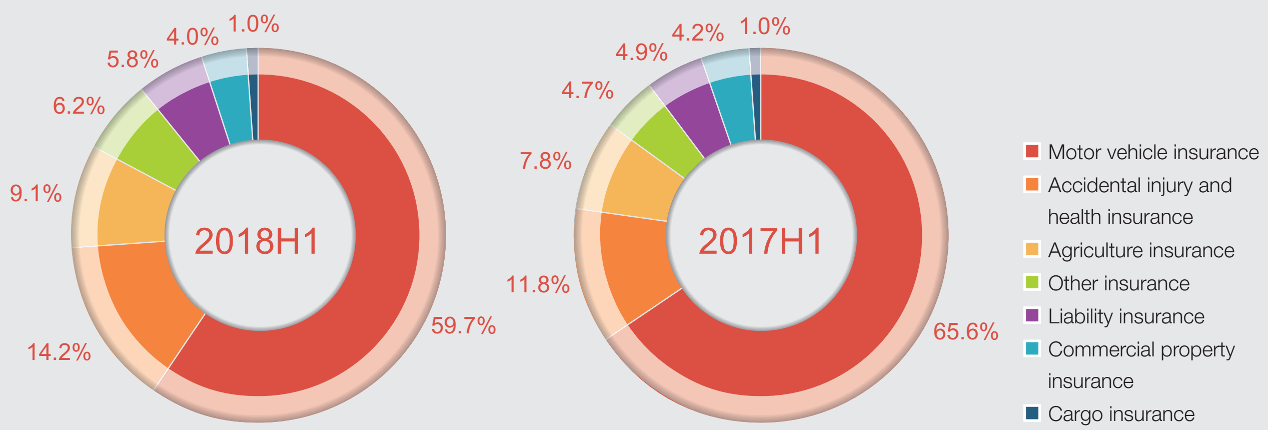
	Six months ended 30 June			
	2018		2017	
	RMB million	%	*RMB million*	%
Net earned premiums	168,834	100.0	144,167	100.0
Net claims incurred	(103,269)	(61.2)	(87,840)	(60.9)
Total expenses	(58,556)	(34.7)	(49,811)	(34.6)
Underwriting profit	7,009	4.1	6,516	4.5

GROSS WRITTEN PREMIUMS

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Motor vehicle insurance	122,433	117,847
Commercial property insurance	8,297	7,567
Liability insurance	11,808	8,873
Accidental injury and health insurance	29,036	21,196
Cargo insurance	2,084	1,715
Agriculture insurance	18,672	14,088
Other insurance	12,711	8,397
Total	205,041	179,683

Composition of gross written premiums



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:

	Six months ended 30 June				
	2018			2017	
	Amount	Percentage	Increase/ (decrease)	Amount	Percentage
	RMB million	%	%	*RMB million*	%
Direct sales	56,559	27.6	2.2	55,335	30.9
Insurance agents	132,659	64.8	15.7	114,659	63.9
Among which:					
Individual insurance agents	65,366	32.0	8.6	60,182	33.5
Ancillary insurance agents	25,490	12.4	(2.4)	26,110	14.6
Professional insurance agents	41,803	20.4	47.4	28,367	15.8
Insurance brokers	15,563	7.6	66.9	9,323	5.2
Total	204,781	100.0	14.2	179,317	100.0

Gross written premiums of the Company and its subsidiaries were RMB205,041 million in the first half of 2018, representing an increase of RMB25,358 million (or 14.1%) from RMB179,683 million in the first half of 2017. The steady growth of the overall business was largely driven by the relatively rapid business development of the accidental injury and health insurance, agriculture insurance, liability insurance and surety insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB122,433 million, representing an increase of RMB4,586 million (or 3.9%) from RMB117,847 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries proactively responded to the challenges brought by the decline of the premium rate of motor vehicle insurance, the slowdown in sales of new motor vehicles and the deepening of the impacts of deregulation of premium rate of commercial motor vehicle insurance, further optimised business structure, improved the distribution channel arrangement and enhanced the efficiency of resource allocation and control on distribution channels; improved the planning for the marketing of, and the sales process management for, the motor vehicle insurance, and set up a supervisory and guiding mechanism for the business process of motor vehicle insurance; deeply implemented the excellent claim settlement service project, upgraded the customer service system, pushed forward the “Traffic Police-PICC Joint Action” and the claim settlement services after business hours, expanded the scope of air ambulance services, enhanced the stickiness of customers through high-quality services and brand influence, and propelled the increase of renewal rate compared to the same period of last year, thus driving 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 RMB8,297 million, representing an increase of RMB730 million (or 9.6%) from RMB7,567 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries overcame the adverse impacts of intensifying market competition and decline in premium rates, proactively pushed forward the launch and promotion of such new products as the insurance for new materials and the insurance for the loss of revenue of photovoltaic power plants, continuously upgraded their professional underwriting capabilities, fully stimulated the vitality of employees at business frontlines, and promoted the steady development of the commercial property insurance business.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB11,808 million, representing an increase of RMB2,935 million (or 33.1%) from RMB8,873 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries, while continuously developing traditional insurance businesses underwritten on a large scale such as employer's liability insurance, product liability insurance and public liability insurance, fully served the national strategies such as modernisation of national governance, development of the real economy, improvement of the wellbeing of the people and targeted poverty reduction, and proactively pioneered liability insurance business such as the liability insurance for the first piece (set) of crucial high-tech equipment, the agricultural product quality safety and the government poverty reduction and aid, thereby strongly supporting the growth of the liability insurance business.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB29,036 million, representing an increase of RMB7,840 million (or 37.0%) from RMB21,196 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries responded to the Healthy China strategy, speeded up the construction of the social security insurance service platform, made great efforts in exploring new business areas concerning social security insurance for nursing, social security insurance for poverty reduction, medical aid and supplementary work-related injury in addition to continuously enhancing the development of their critical illness insurance business; actively promoted the commercial health insurance whose typical products include the individual and family health insurance and supplemental medical coverage for enterprises and public institutions; and continuously developed its core accidental injury insurance business, including the accidental injury insurance for drivers and passengers of motor vehicles, group accidental injury insurance and accidental injury insurance for construction projects, thereby promoting the fast development of the accidental injury and health insurance business as a whole.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB2,084 million, representing an increase of RMB369 million (or 21.5%) from RMB1,715 million in the first half of 2017. In the first half of 2018, the domestic freight market was stable with improvement and the Company and its subsidiaries made full use of the development opportunities and continuously explored the personal diversified business in addition to actively promoting the traditional insurance businesses relating to imports, waterways, combined transportation of water and land, which facilitated the realisation of the fast development of the cargo insurance business as a whole.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB18,672 million, representing an increase of RMB4,584 million (or 32.5%) from RMB14,088 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries responded to the national strategies of vitalisation of the rural areas and targeted poverty reduction, made great efforts to consolidate and further develop their position in the agriculture insurance market. In addition to maintaining a stable development of the existing business, the Company and its subsidiaries raised the protection standards, expanded the business coverage areas geographically and increased product types, made great efforts to develop featured agriculture insurance products, speeded up their exploration of innovative agriculture insurance business such as agricultural catastrophe insurance, output insurance and income insurance, and promoted the development of insurance products for new agriculture entities, poverty reduction insurance, agriculture insurance with special local features and other incremental business.

In the first half of 2018, gross written premiums of other insurance segment of the Company and its subsidiaries were RMB12,711 million, representing an increase of RMB4,314 million (or 51.4%) from RMB8,397 million in the first half of 2017. In the first half of 2018, the Company and its subsidiaries optimised product design and enhanced marketing efforts so that the individual credit loan surety insurance, performance surety insurance and short-term export credit insurance achieved a relatively rapid growth, driving the credit and surety insurance business to grow rapidly. Meanwhile, businesses including special risks insurance, construction insurance, homeowners insurance and marine hull insurance also achieved a balanced development.

NET EARNED PREMIUMS

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Motor vehicle insurance	**125,245**	112,242
Commercial property insurance	**4,333**	3,789
Liability insurance	**7,040**	5,601
Accidental injury and health insurance	**15,492**	11,390
Cargo insurance	**1,400**	1,205
Agriculture insurance	**9,356**	5,716
Other insurance	**5,968**	4,224
Total	**168,834**	144,167

Net earned premiums of the Company and its subsidiaries were RMB168,834 million in the first half of 2018, representing an increase of RMB24,667 million (or 17.1%) from RMB144,167 million in the first half of 2017.

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:

	Six months ended 30 June			
	2018		2017	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(73,681)**	**(58.8)**	(66,351)	(59.1)
Commercial property insurance	**(1,997)**	**(46.1)**	(1,465)	(38.7)
Liability insurance	**(4,003)**	**(56.9)**	(3,202)	(57.2)
Accidental injury and health insurance	**(14,110)**	**(91.1)**	(10,405)	(91.3)
Cargo insurance	**(574)**	**(41.0)**	(513)	(42.6)
Agriculture insurance	**(5,877)**	**(62.8)**	(3,586)	(62.7)
Other insurance	**(3,027)**	**(50.7)**	(2,318)	(54.9)
Total	**(103,269)**	**(61.2)**	(87,840)	(60.9)

Net claims incurred of the Company and its subsidiaries in the first half of 2018 were RMB103,269 million, representing an increase of RMB15,429 million (or 17.6%) from RMB87,840 million in the first half of 2017. The loss ratio in the first half of 2018 was 61.2%, representing an increase of 0.3 percentage points compared to 60.9% in the first half of 2017.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB73,681 million, representing an increase of RMB7,330 million (or 11.0%) from RMB66,351 million in the first half of 2017. The loss ratio decreased by 0.3 percentage points from 59.1% in the first half of 2017 to 58.8% in the first half of 2018. In the first half of 2018, the Company and its subsidiaries actively adjusted the business structure and the proportion of family cars increased, steadily pushed forward the establishment of the "three large platforms" of auto parts price, nationwide claim settlement and anti-fraud, and continued to vigorously promote the direct supply of auto parts by e-commerce retailers, and introduced the Jiaanpei auto parts direct supply platform and strengthened the cost control over key parts; made use of the new models and new measures for the personal injury management to effectively manage and control the personal injury cost; and continued with supervision and guiding of claim recovery work and promoted the re-cycling and re-use of dismantled vehicles and undamaged auto parts, thus leading to a decrease in the loss ratio of the motor vehicle insurance segment.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB1,997 million, representing an increase of RMB532 million (or 36.3%) from RMB1,465 million in the first half of 2017. The loss ratio increased by 7.4 percentage points from 38.7% in the first half of 2017 to 46.1% in the first half of 2018. In the first half of 2018, due to the losses from catastrophes such as the snow storm at the beginning of 2018 and the Typhoon Ewiniar, the loss ratio of the commercial property insurance segment of the Company and its subsidiaries increased compared to the same period of last year.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB4,003 million, representing an increase of RMB801 million (or 25.0%) from RMB3,202 million in the first half of 2017. The loss ratio decreased by 0.3 percentage points from 57.2% in the first half of 2017 to 56.9% in the first half of 2018. In the first half of 2018, the Company and its subsidiaries optimised the business structure of the liability insurance at the source of underwriting and strengthened the management and control over the key steps in personal injury cases, thereby resulting in a slight decline of the loss ratio of the liability insurance segment.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB14,110 million, representing an increase of RMB3,705 million (or 35.6%) from RMB10,405 million in the first half of 2017. The loss ratio decreased by 0.2 percentage points from 91.3% in the first half of 2017 to 91.1% in the first half of 2018. In the first half of 2018, the social security insurance business of the Company and its subsidiaries such as the critical illness insurance, which had a broader underwriting coverage and higher protection, continued to maintain steady growth, thus causing the loss ratio of the accidental injury and health insurance segment to remain at a relatively high level.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries were RMB574 million, representing an increase of RMB61 million (or 11.9%) from RMB513 million in the first half of 2017. The loss ratio decreased by 1.6 percentage points from 42.6% in the first half of 2017 to 41.0% in the first half of 2018. The loss ratio of the imported cargo insurance and domestic waterborne cargo insurance of the Company and its subsidiaries decreased relatively in the first half of 2018.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB5,877 million, representing an increase of RMB2,291 million (or 63.9%) from RMB3,586 million in the first half of 2017. The loss ratio increased by 0.1 percentage point from 62.7% in the first half of 2017 to 62.8% in the first half of 2018. In the first half of 2018, the agriculture insurance segment grew rapidly, and by taking technical measures to prevent disasters and losses, the Company and its subsidiaries strengthened the management and control over the agriculture insurance risks and actively dealt with various natural catastrophes, and the loss ratio of the agriculture insurance segment slightly increased.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB3,027 million, representing an increase of RMB709 million (or 30.6%) from RMB2,318 million in the first half of 2017. The loss ratio decreased by 4.2 percentage points from 54.9% in the first half of 2017 to 50.7% in the first half of 2018. In the first half of 2018, the Company and its subsidiaries continued to enhance the risk management of underwriting and vigorously developed high-quality business, and the loss ratio of the special risks insurance in other insurance segment decreased.

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:

	Six months ended 30 June			
	2018		2017	
	Total expenses	Expense ratio	Total expenses	Expense ratio
	RMB million	%	*RMB million*	%
Motor vehicle insurance	(47,453)	(37.9)	(41,444)	(36.9)
Commercial property insurance	(1,735)	(40.0)	(1,641)	(43.3)
Liability insurance	(2,560)	(36.4)	(1,988)	(35.5)
Accidental injury and health insurance	(1,609)	(10.4)	(1,090)	(9.6)
Cargo insurance	(587)	(41.9)	(487)	(40.4)
Agriculture insurance	(2,442)	(26.1)	(1,737)	(30.4)
Other insurance	(2,170)	(36.4)	(1,424)	(33.7)
Total	(58,556)	(34.7)	(49,811)	(34.6)

Total expenses of the Company and its subsidiaries were RMB58,556 million, representing an increase of RMB8,745 million (or 17.6%) from RMB49,811 million in the first half of 2017. The expense ratio increased by 0.1 percentage point from 34.6% in the first half of 2017 to 34.7% in the first half of 2018. In the first half of 2018, the Company strengthened market benchmarking, optimised differentiated allocation of sales expenses and improved the dynamic adjustment mechanism of the cost budget. The underwriting expense ratio was 32.3%, representing an increase of 0.1 percentage point compared to the same period of last year. Meanwhile, the Company strictly implemented a comprehensive budget management and control, adopted a cost-leadership strategy, and controlled administrative expenses, thereby achieving a decrease in expenses relating to the use of motor vehicles and conferences. The administrative expense ratio was 2.4%, which was basically at the same level as that of 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			
	2018		2017	
	Underwriting profit/(loss) *RMB million*	Underwriting profit/(loss) ratio %	Underwriting profit/(loss) *RMB million*	Underwriting profit/(loss) ratio %
Motor vehicle insurance	4,111	3.3	4,447	4.0
Commercial property insurance	601	13.9	683	18.0
Liability insurance	477	6.7	411	7.3
Accidental injury and health insurance	(227)	(1.5)	(105)	(0.9)
Cargo insurance	239	17.1	205	17.0
Agriculture insurance	1,037	11.1	393	6.9
Other insurance	771	12.9	482	11.4
Total	7,009	4.1	6,516	4.5

The Company and its subsidiaries recorded an underwriting profit of RMB7,009 million in the first half of 2018, representing an increase of RMB493 million (or 7.6%) from RMB6,516 million in the first half of 2017; and the underwriting profit ratio was 4.1%, representing a decrease of 0.4 percentage points from 4.5% in the first half of 2017.

INVESTMENT RESULTS

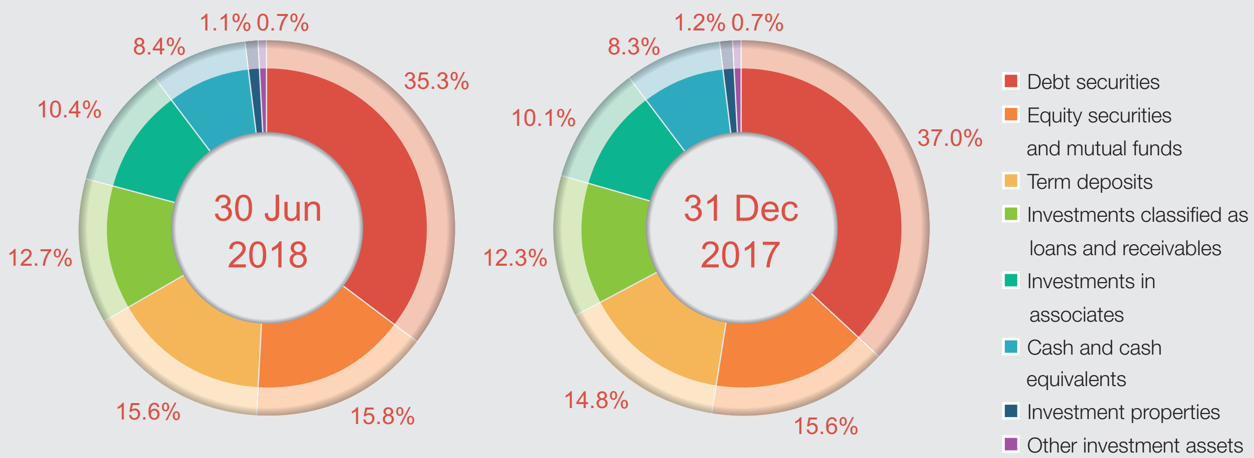
Composition of Investment Assets

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

	30 June 2018		31 December 2017	
	Balance	Percentage	Balance	Percentage
	RMB million	*%*	*RMB million*	*%*
By category:				
Cash and cash equivalents	35,458	8.4	34,688	8.3
Term deposits	65,963	15.6	61,300	14.8
Debt securities	149,067	35.3	153,728	37.0
Equity securities and mutual funds	66,528	15.8	64,701	15.6
Investments classified as loans and receivables	53,460	12.7	51,180	12.3
Investment properties	4,841	1.1	4,976	1.2
Investments in associates	43,990	10.4	41,832	10.1
Other investment assets *(Note)*	3,154	0.7	3,103	0.7
Total investment assets	422,461	100.0	415,508	100.0

Note: Other investment assets mainly include deposits for capital security fund and etc.

Composition of Investment Assets



In the first half of 2018, the Company and its subsidiaries adhered to the long-term and stable investment philosophy, and while maintaining the overall size of the investment assets, the Company and its subsidiaries gradually adjusted the structure of investment assets, with reference to the circumstances of the capital market and their own risk preferences and on the condition that the involved risks were controllable, with a view to achieving a balance between profit and risk.

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	
	2018	2017
	RMB million	*RMB million*
Rental income from investment properties	**125**	134
Interest income	**7,014**	6,242
Dividend income	**1,643**	1,409
Total	**8,782**	7,785

The investment income of the Company and its subsidiaries was RMB8,782 million, representing an increase of RMB997 million (or 12.8%) from RMB7,785 million in the first half of 2017. In the first half of 2018, as the Company and its subsidiaries increased the allocation of investments in fixed income financial products, the interest income increased by RMB772 million (or 12.4%) compared to the same period of last year.

Net Realised and Unrealised Losses on Investments

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Realised (losses)/gains on investments	**(155)**	165
Unrealised losses on investments	**(18)**	(25)
Impairment losses	**(83)**	(207)
Fair value gains on investment properties	**55**	16
Total	**(201)**	(51)

In the first half of 2018, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB201 million, representing an increase in net losses of RMB150 million compared to the same period of last year. In particular, the fluctuations in the capital market resulted in realised losses on investments of RMB155 million, while there were realised gains on investments of RMB165 million for the same period of last year.

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	
	2018	2017
	RMB million	*RMB million*
Profit before tax	**16,856**	15,238
Income tax expense	**(4,765)**	(3,155)
Profit for the period	**12,091**	12,083
Total assets *(Note)*	**563,585**	524,566

Note: Based on the data as at 30 June 2018 and 31 December 2017.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB16,856 million in the first half of 2018, representing an increase of RMB1,618 million (or 10.6%) from RMB15,238 million in the first half of 2017.

INCOME TAX EXPENSE

As there was an increase in the profit before tax in the first half of 2018, the income tax expense of the Company and its subsidiaries was RMB4,765 million, representing an increase of RMB1,610 million from RMB3,155 million in the first half of 2017.

PROFIT FOR THE PERIOD

As a result of the foregoing, profit for the period of the Company and its subsidiaries increased by RMB8 million from RMB12,083 million in the first half of 2017 to RMB12,091 million in the first half of 2018. Basic earnings per share attributable to owners of the Company in the first half of 2018 was RMB0.544.

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	
	2018	2017
	RMB million	*RMB million*
Net cash flows (used in)/from operating activities	**(406)**	9,131
Net cash flows (used in)/from investing activities	**(396)**	1,940
Net cash flows from/(used in) financing activities	**1,572**	(1,113)
Net increase in cash and cash equivalents	**770**	9,958

In the first half of 2018, the net cash flows used in operating activities of the Company and its subsidiaries were RMB406 million. In the first half of 2018, there was an increase in the premiums receivable of the Company and its subsidiaries due to the rapid development of some policy-backed businesses such as the critical illness insurance and the agriculture insurance as well as some businesses subject to instalments such as individual credit loan surety insurance. In the meantime, the Company continued to improve its claim settlement service standard and speed up the payment of claims, thus shortening the claim settlement cycle. The Company continuously increased the investment in high-quality businesses. As a result, there was an increase in the cash payment of claims, commissions and taxes and fees.

In the first half of 2018, the net cash flows used in investing activities of the Company and its subsidiaries were RMB396 million. In the first half of 2018, the net cash flows used in purchase and sale of debt securities, equity securities and mutual funds by the Company and its subsidiaries increased by RMB2,087 million compared with the same period of last year.

In the first half of 2018, the net cash flows from financing activities of the Company and its subsidiaries were RMB1,572 million. In the first half of 2018, the cash flows from the securities sold under agreements to repurchase of the Company and its subsidiaries were RMB2,089 million, representing an increase in cash inflow of RMB2,802 million compared with the same period of last year.

As at 30 June 2018, the cash and cash equivalents of the Company and its subsidiaries were RMB35,458 million.

LIQUIDITY

The cash flows of the Company and its subsidiaries are primarily derived from cash generated from operating activities, which are principally 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 November 2016, the Company issued fixed-rate capital supplementary bonds of RMB15 billion, and in October 2014, the Company issued fixed-rate subordinated term debts of RMB8 billion, each with a term of 10 years, to institutional investors in the PRC for the primary purposes of supplementing the capital and increasing the solvency margin of the Company.

Save for the capital supplementary bonds and 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 properties under construction, acquisition of motor vehicles for business purposes as well as development of the information systems. Capital expenditure of the Company and its subsidiaries was RMB1,309 million in the first half of 2018.

SOLVENCY MARGIN REQUIREMENT

As at 30 June 2018, the Company and its subsidiaries' actual capital was RMB160,337 million, in which core capital was RMB132,879 million, minimum capital was RMB57,316 million; comprehensive solvency margin ratio was 280% and core solvency margin ratio was 232%.

GEARING RATIO

As at 30 June 2018, the gearing ratio *(Note)* of the Company and its subsidiaries was 71.4%, representing an increase of 1.2 percentage points from 70.2% as at 31 December 2017.

Note: Gearing ratio is represented by total liabilities (excluding bonds payable) divided by total assets under Hong Kong Accounting Standard.

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 2018. 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 unexpected loss incurred by the Company and its subsidiaries resulting from the inability of counterparties to perform or to perform within the specified time their contractual obligations or adverse changes in the credit status of the counterparties. The credit risks faced by the Company and its subsidiaries are primarily associated with the premiums receivable and prepaid claims of the insurance business, the receivables from reinsurers and the provisions for receivables from reinsurers of the reinsurance business, and debt securities and deposit investment products of the investment business.

The Company has established a mechanism for routine management and control of the premiums receivable and taken comprehensive measures such as credit management, credit rating of premiums receivable, control of aged accounts, assessment adjustment, performance appraisal, accountability and punishment system to strengthen the full process management of the premiums receivable. By strictly complying with the standards of the reinsurance business registration and management system, the Company strengthened the management of the reinsurance service recipients and the reinsurance brokers, continuously optimised the settlement process of reinsurance, proactively cleared up unsettled business, thereby achieving a strict management and control of the reinsurance credit risk. By comprehensive use of the internal and external credit rating results, the Company has established a databank of counterparties and formulated detailed credit risk exposure limits and a credit limit management system in order to identify and prevent the credit risk in the investment business in a timely manner. The Company regularly analysed the change in the credit risk of its investment positions, carried out the measuring, monitoring and control of the minimum capital for credit risk and carried out special inspection for credit risk occasionally.

The Company and its subsidiaries are only committed to credit sales to corporate customers or to individual customers who purchase certain 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 strenuously control the credit risk of 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 CBIRC on the investment ratings of corporate bonds. 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 of 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 of 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 interest 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.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2018, the Company focused on the hot spots of the market and the needs of customers and filed 721 provisions for approval and record, among which were 494 main insurance provisions and 227 rider provisions. Among them, 289 were national provisions and 432 were regional provisions. The Company reported 18 national provisions to the CBIRC, which were subject to the CBIRC's approval, registered 341 provisions in the registration platform for recorded products of the Insurance Association of China and 16 provisions in the registration and administration platform for shipping insurance products, and filed 346 agriculture and agriculture-related insurance provisions on the electronic filing system of insurance provisions. As at 30 June 2018, the Company had 2,761 valid products, among which 1,110 were innovative products launched in the last three years and 270 were innovative products developed and launched in the first half of 2018.

EMPLOYEES

As at 30 June 2018, the Company had 182,716 employees. In the first half of 2018, the Company and its subsidiaries paid a total remuneration of RMB18,002 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

From the perspective of macroeconomy, China's economy will maintain the trend of stable operation and high-quality oriented development, and the property and casualty insurance industry is still in the development stage with promising opportunities. From the perspective of industry development, the supply-side structural reform continues to deepen, the deregulation of premium rate of commercial motor vehicle insurance is deepening, the strict supervision and regulation are continuously enhanced and the shift in driving forces for market development is accelerating. The Company is faced with multiple challenges such as development and reform, speed and quality, competition and compliance. The insurance industry has entered a new cycle featured by transition to high-quality development.

Faced with the new situation and new challenges, the Company will optimise its main businesses and perfect its expertise. It will promote transformation in terms of quality, efficiency and driving force with insurance services of higher quality, insurance operation of higher efficiency and better insurance supply respectively. It will continuously optimise the motor vehicle insurance business model and actively respond to the deregulation of premium rate of commercial motor vehicle insurance. It will speed up the transformation and upgrading of commercial non-motor vehicle insurance and promote a leapfrog development by bolstering areas of weakness and strengthening the layout. The Company will also speed up the upgrading of business model of the policy-backed businesses and strengthen its leading advantage. Moreover, it will strengthen its market position in major cities and optimise business models at the county level to fully enhance the regional operation ability and market competitiveness. The Company will further upgrade and refine its management and strengthen its leading position in terms of profitability by way of cost reduction and risk prevention. It will also deepen the transformation of the operation of the organisation and promote the transition of the Company to high-quality development.

Corporate Governance and Other Information

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

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 30 June 2018 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

Changes in the members of the Board during the period from 1 January 2018 to the date of this interim report are as follows:

Ms Yu Xiaoping resigned as a Non-executive Director due to her retirement, with effect from 7 March 2018, and ceased to act as a member of the Risk Management and Investment Decision-making Committee of the Company simultaneously.

Mr Miao Jianmin was appointed as an Executive Director at the Extraordinary General Meeting of the Company on 12 March 2018 for a term of office commencing immediately after the conclusion of the Extraordinary General Meeting until the expiry of the fourth session of the Board. Mr Miao was elected by the Board as Chairman of the Board, Chairman of the Strategic Planning Committee and Chairman of the Risk Management and Investment Decision-making Committee of the Company with the same term of office as that of his directorship.

Mr Wang Dedi resigned as an Executive Director due to his retirement, with effect from 25 April 2018, and ceased to act as a member of the Risk Management and Investment Decision-making Committee of the Company simultaneously.

Mr Xie Yiqun was appointed as a Non-executive Director at the Annual General Meeting of the Company on 22 June 2018 for a term of office commencing immediately after the conclusion of the Annual General Meeting until the expiry of the fourth session of the Board. Mr Xie was elected by the Board as a member of the Risk Management and Investment Decision-making Committee with the same term of office as that of his directorship.

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

Mr Miao Jianmin *(Chairman of the Board, Executive Director)*
Mr Lin Zhiyong *(Vice Chairman of the Board, Executive Director)*
Mr Xie Yiqun* *(Non-executive Director)*
Mr Li Tao *(Non-executive Director)*
Mr Yun Zhen* *(Executive Director)*
Mr Lin Hanchuan *(Independent Non-executive Director)*
Mr Lo Chung Hing *(Independent Non-executive Director)*
Mr Na Guoyi* *(Independent Non-executive Director)*
Mr Ma Yusheng* *(Independent Non-executive Director)*
Mr Chu Bende* *(Independent Non-executive Director)*
Ms Qu Xiaohui *(Independent Non-executive Director)*

* Their qualifications as Directors are subject to the approvals of the CBIRC.

Changes in the members of the Supervisory Committee during the period from 1 January 2018 to the date of this interim report are as follows:

Mr Wang He resigned as a Supervisor and Chairman of the Supervisory Committee due to his retirement, with effect from 25 January 2018.

Mr Ding Ningning resigned as an Independent Supervisor due to his other work arrangements, with effect from 26 July 2018.

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

Mr Li Zhuyong *(Supervisor)*
Mr Lu Zhengfei *(Independent Supervisor)*
Mr Li Fuhan* *(Employee Representative Supervisor)*
Ms Gao Hong* *(Employee Representative Supervisor)*

* Their qualifications as Supervisors are subject to the approvals of the CBIRC.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Mr Lo Chung Hing, an Independent Non-executive Director, no longer serves as an Independent Non-executive Director of China Shanshui Cement Group Limited*.

Mr Na Guoyi, an Independent Non-executive Director, is also an international consultant of Geju Business School Co., Ltd. Mr Na no longer serves as the Director of International Department of Geju Business School Co., Ltd.

Ms Qu Xiaohui, an Independent Non-executive Director, is also a Professor and a Doctoral Supervisor of Harbin Institute of Technology, Shenzhen. Ms Qu no longer serves as a Professor of Accounting and a Doctoral Supervisor of Xiamen University.

Mr Li Zhuyong, a Supervisor, is also a Vice President of PICC Group* (appointed as a Vice President at the sixth meeting of the third session of the Board of Directors of PICC Group* in August 2018, whose qualification of appointment is in the process of filing for approval of the CBIRC) and a Supervisor of Zhongsheng International Insurance Brokers Co., Ltd. Mr Li no longer serves as the Legal Director of PICC Group*.

Mr Lu Zhengfei, an Independent Supervisor, is also an Independent Non-executive Director of Shenwan Hongyuan Co. Ltd. Mr Lu no longer serves as a Director of the Chinese Tax Institute, a Director of China Cost Research Society, and an Independent Non-executive Director of Sinotrans Limited* and China National Materials Company Limited*.

* These companies are listed on the Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Securities Transactions Guidelines") that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions Guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code and the Securities Transactions Guidelines during the first half of 2018.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2018, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Group	Beneficial owner	15,343,471,470 *(Note 1)*	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
BlackRock, Inc.	Interest of controlled corporations	254,660,481 *(Notes 1, 2)*	Long position	5.54%	1.72%
	Interest of controlled corporations	5,506,000 *(Notes 1, 2)*	Short position	0.12%	0.04%
Schroders Plc	Investment manager	345,131,000 *(Note 1)*	Long position	5.00%	1.55%

Notes:

1. At the Annual General Meeting of the Company on 22 June 2018, the shareholders of the Company approved the plan of issue of capitalisation shares by way of capitalisation of capital reserve on the basis of 5 capitalised shares for every 10 shares. The ex-date was 27 June 2018 and the capitalised shares were issued and allotted on 23 July 2018. The disclosures of interests of PICC Group and Schroders Plc were based on the total number of shares of the Company following the issue of capitalised shares, while the disclosure of interests of BlackRock, Inc. was based on the total number of shares of the Company before the issue of capitalised shares.

2. Among which, 96,000 H shares (Long position) and 2,652,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 30 June 2018.

INTERIM DIVIDEND

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2018.

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 2018.

CORPORATE GOVERNANCE

Save for the deviation from code provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code in the first half of 2018.

According to code provision A.4.2 of the Corporate Governance Code, each director shall be subject to retirement by rotation at least once every three years. The term of the fourth session of the Board should have expired on 25 June 2018. However, in accordance with the requirements of the Company Law, where upon the expiry of the term of office of a director, a new director has not yet been elected or if the number of directors will fall below the minimum number due to the resignation of any director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Therefore, the incumbent Directors of the fourth session of the Board who have been in office for three years did not retire after the expiry of their term of office. The Company failed to comply with the requirement of code provision A.4.2 of the Corporate Governance Code during the period from 26 June 2018 to the date of this interim report.

REVIEW OF INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2018.

By Order of the Board
Miao Jianmin
Chairman

Beijing, the PRC
24 August 2018

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

Introduction

We have reviewed the condensed consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 67, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 August 2018

Condensed Consolidated Income Statement

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018** ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
GROSS WRITTEN PREMIUMS	4	**205,041**	179,683
Net earned premiums	4	**168,834**	144,167
Net claims incurred	5	**(103,269)**	(87,840)
Net policy acquisition costs		**(44,508)**	(32,169)
Other underwriting expenses		**(10,071)**	(14,158)
Administrative expenses		**(3,977)**	(3,484)
UNDERWRITING PROFIT		**7,009**	6,516
Investment income	6	**8,782**	7,785
Net realised and unrealised losses on investments	7	**(201)**	(51)
Investment related expenses		**(165)**	(138)
Exchange gains/(losses), net		**88**	(210)
Interest expenses credited to policyholders' deposits		**(1)**	(1)
Sundry income		**166**	166
Sundry expenses		**(77)**	(106)
Finance costs	8	**(1,093)**	(963)
Share of profits of associates		**2,348**	2,240
PROFIT BEFORE TAX	9	**16,856**	15,238
Income tax expense	10	**(4,765)**	(3,155)
PROFIT FOR THE PERIOD		**12,091**	12,083
Profit attributable to			
– owners of the Company		**12,090**	12,083
– non-controlling interests		**1**	–
		12,091	12,083
			(Restated)
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (in RMB)	12	**0.544**	0.543

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	**Six months ended 30 June 2018 *RMB million* (Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
PROFIT FOR THE PERIOD		**12,091**	12,083
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		**(3,524)**	1,408
– Reclassification of losses/(gains) to profit or loss on disposals		**134**	(79)
– Impairment losses		**83**	207
Income tax effect		**827**	(384)
		(2,480)	1,152
Net losses on cash flow hedges		**–**	(3)
Income tax effect		**–**	1
		–	(2)
Share of other comprehensive income/(expense) of associates		**274**	(345)
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(2,206)**	805
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	21	**96**	108
Income tax effect		**(24)**	(27)
		72	81
Share of other comprehensive income of associates		**6**	–
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**78**	81
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX		**(2,128)**	886
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9,963**	12,969
Total comprehensive income attributable to			
– owners of the Company		**9,962**	12,969
– non-controlling interests		**1**	–
		9,963	12,969

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 RMB million (Unaudited)	31 December 2017 RMB million (Audited)
ASSETS			
Cash and cash equivalents	13	**35,458**	34,688
Debt securities	14	**149,067**	153,728
Equity securities and mutual funds	15	**66,528**	64,701
Insurance receivables, net	16	**61,976**	37,845
Reinsurance assets	17	**30,387**	29,410
Term deposits	18	**65,963**	61,300
Investments classified as loans and receivables	19	**53,460**	51,180
Prepayments and other assets		**22,053**	19,112
Investments in associates	20	**43,990**	41,832
Investment properties	21	**4,841**	4,976
Property and equipment	22	**15,835**	15,531
Prepaid land premiums		**2,916**	3,023
Deferred tax assets		**11,111**	7,240
TOTAL ASSETS		**563,585**	524,566
LIABILITIES			
Payables to reinsurers	23	**17,296**	17,319
Accrued insurance security fund		**915**	958
Securities sold under agreements to repurchase		**25,210**	23,121
Income tax payable		**6,320**	4,396
Other liabilities and accruals	24	**57,321**	55,352
Insurance contract liabilities	17	**292,833**	264,748
Policyholders' deposits		**2,284**	2,296
Bonds payable		**23,341**	23,262
TOTAL LIABILITIES		**425,520**	391,452
EQUITY			
Issued capital	25	**22,242**	14,828
Reserves		**115,815**	118,279
Equity attributable to owners of the Company		**138,057**	133,107
Non-controlling interests		**8**	7
TOTAL EQUITY		**138,065**	133,114
TOTAL EQUITY AND LIABILITIES		**563,585**	524,566

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Six months ended 30 June 2018 (Unaudited)	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available-for-sale investment revaluation reserve	Surplus reserve***	General risk reserve	Agriculture catastrophic loss reserve	Share of other comprehensive income/(expense) of associates	Retained profits	Sub-total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2018	14,828	18,986*	3,017*	6,191*	34,585*	11,308*	2,471*	(552)*	42,273*	133,107	7	133,114
Profit for the period	-	-	-	-	-	-	-	-	12,090	12,090	1	12,091
Other comprehensive income/(expense)	-	-	72	(2,480)	-	-	-	280	-	(2,128)	-	(2,128)
Total comprehensive income/(expense)	-	-	72	(2,480)	-	-	-	280	12,090	9,962	1	9,963
Appropriations to discretionary surplus reserve****	-	-	-	-	6,000	-	-	-	(6,000)	-	-	-
Conversion from share premium account to issued capital****	7,414	(7,414)	-	-	-	-	-	-	-	-	-	-
2017 final dividend****	-	-	-	-	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Balance at 30 June 2018	22,242	11,572*	3,089*	3,711*	40,585*	11,308*	2,471*	(272)*	43,351*	138,057	8	138,065

* The consolidated reserves of RMB115,815 million (31 December 2017: RMB118,279 million) in the condensed consolidated statement of financial position as at 30 June 2018 comprise these reserve accounts.

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

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

**** On 22 June 2018, the shareholders of the Company at the general meeting approved a final dividend of RMB0.338 per ordinary share totalling RMB5,012 million for the year ended 31 December 2017, an amount of RMB6,000 million to be appropriated to discretionary surplus reserve, and a conversion of RMB7,414 million from share premium account to issued capital on the basis of 5 shares for every 10 existing shares.

Six months ended 30 June 2017 (Unaudited)	Attributable to owners of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available-for-sale investment revaluation reserve	Cash flow hedging reserve	Surplus reserve***	General risk reserve	Agriculture catastrophic loss reserve	Share of other comprehensive income/ (expense) of associates	Retained profits	Sub-total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017	14,828	18,986*	2,879*	7,023*	2*	32,614*	9,337*	1,885*	176*	31,576*	119,306	6	119,312
Profit for the period	–	–	–	–	–	–	–	–	–	12,083	12,083	–	12,083
Other comprehensive income/ (expense)	–	–	81	1,152	(2)	–	–	–	(345)	–	886	–	886
Total comprehensive income/ (expense)	–	–	81	1,152	(2)	–	–	–	(345)	12,083	12,969	–	12,969
2016 final dividend****	–	–	–	–	–	–	–	–	–	(4,582)	(4,582)	–	(4,582)
Balance at 30 June 2017	14,828	18,986*	2,960*	8,175*	–*	32,614*	9,337*	1,885*	(169)*	39,077*	127,693	6	127,699

* The consolidated reserves of RMB112,865 million (31 December 2016: RMB104,478 million) in the condensed consolidated statement of financial position as at 30 June 2017 comprise these reserve accounts.

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

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

**** On 23 June 2017, the shareholders of the Company at the general meeting approved a final dividend of RMB0.309 per ordinary share totalling RMB4,582 million for the year ended 31 December 2016.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June 2018 *RMB million* (Unaudited)	Six months ended 30 June 2017 *RMB million* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	5,503	14,162
Income tax paid	(5,909)	(5,031)
Net cash flows (used in)/from operating activities	(406)	9,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7,021	5,877
Payment for purchase of debt securities, equity securities and mutual funds	(44,407)	(39,883)
Payment for purchase of investments classified as loans and receivables	(6,293)	(25,865)
Payment for acquisition of associates	(98)	–
Proceeds from sale of debt securities, equity securities and mutual funds	42,916	40,479
Proceeds from sale of investments classified as loans and receivables	4,013	18,751
(Increase)/decrease in term deposits, net	(4,663)	1,102
Others	1,115	1,479
Net cash flows (used in)/from investing activities	(396)	1,940
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in securities sold under agreements to repurchase, net	2,089	(713)
Others	(517)	(400)
Net cash flows from/(used in) financing activities	1,572	(1,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	770	9,958
Cash and cash equivalents at beginning of the period	34,688	25,144
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,458	35,102

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

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

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

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

2.1 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("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2017.

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.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRS issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

1 Effective for annual periods beginning on or after 1 January 2018, except for entities engaging predominantly in insurance activities and opt for deferral/overlay approach as permitted by Amendments to HKFRS 4.

Except as described below, the application of these new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKFRS 4 – Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

HKFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, except for entities engaging predominantly in insurance activities and opt for deferral/overlay approach as permitted by Amendments to HKFRS 4.

In January 2017, HKFRS 4 was amended to address issues arising from the different effective dates of HKFRS 9 and the upcoming HKFRS 17.

The amendment provides entities meeting a criterion for engaging predominantly in insurance activities with the option to continue current HKFRS accounting and to defer the application of HKFRS 9 until the earlier of the application of the new insurance standard or periods beginning on or after 1 January 2021. The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Amendments to HKFRS 4 – Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (continued)

Separately, the amendment provides all entities with contracts within the scope of HKFRS 4 with an option to apply HKFRS 9 in full but to make adjustments to profit or loss to remove the impact of HKFRS 9, compared with HKAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset by asset basis with specific requirements around designations and de-designations.

During the year ended 31 December 2016, the Group performed an assessment of these amendment and concluded that its activities were predominantly connected with insurance as at 31 December 2015. The Group has decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

HKFRS 15 – Revenue from Contracts with Customers and the related Amendments

The Group has applied HKFRS15 for the first time in the current interim period. HKFRS15 supersede HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

HKFRS 15 – Revenue from Contracts with Customers and the related Amendments (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group continues applying HKFRS 4 Insurance Contracts to its insurance contracts and HKFRS 15 to non-insurance contracts. As the Group predominantly carries out insurance business, the adoption of HKFRS 15 only has impacts on service income for handling certain taxes or levies for relevant authorities.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. However, the application of HKFRS 15 has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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.

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2018 and 2017 are as follows:

Six months ended 30 June 2018 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Gross written premiums	122,433	8,297	2,084	11,808	29,036	18,672	12,711	–	205,041
Net earned premiums	125,245	4,333	1,400	7,040	15,492	9,356	5,968	–	168,834
Net claims incurred	(73,681)	(1,997)	(574)	(4,003)	(14,110)	(5,877)	(3,027)	–	(103,269)
Net policy acquisition costs	(39,066)	(1,048)	(335)	(1,509)	(857)	(601)	(1,092)	–	(44,508)
Other underwriting expenses	(5,907)	(470)	(163)	(746)	(591)	(1,510)	(684)	–	(10,071)
Administrative expenses	(2,480)	(217)	(89)	(305)	(161)	(331)	(394)	–	(3,977)
Underwriting profit/(loss)	4,111	601	239	477	(227)	1,037	771	–	7,009
Investment income	–	–	–	–	–	–	–	8,782	8,782
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(201)	(201)
Investment related expenses	–	–	–	–	–	–	–	(165)	(165)
Exchange gains, net	–	–	–	–	–	–	–	88	88
Interest expenses credited to policyholders' deposits	–	–	–	–	–	–	(1)	–	(1)
Finance costs	–	–	–	–	–	–	–	(1,093)	(1,093)
Sundry income and expenses, net	–	–	–	–	–	–	–	89	89
Share of profits of associates	–	–	–	–	–	–	–	2,348	2,348
Profit/(loss) before tax	4,111	601	239	477	(227)	1,037	770	9,848	16,856
Income tax expense	–	–	–	–	–	–	–	(4,765)	(4,765)
Profit/(loss) for the period – segment results	4,111	601	239	477	(227)	1,037	770	5,083	12,091

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2017 (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	117,847	7,567	1,715	8,873	21,196	14,088	8,397	–	179,683
Net earned premiums	112,242	3,789	1,205	5,601	11,390	5,716	4,224	–	144,167
Net claims incurred	(66,351)	(1,465)	(513)	(3,202)	(10,405)	(3,586)	(2,318)	–	(87,840)
Net policy acquisition costs	(28,192)	(1,114)	(260)	(1,222)	(562)	(134)	(685)	–	(32,169)
Other underwriting expenses	(10,900)	(286)	(157)	(552)	(434)	(1,302)	(527)	–	(14,158)
Administrative expenses	(2,352)	(241)	(70)	(214)	(94)	(301)	(212)	–	(3,484)
Underwriting profit/(loss)	4,447	683	205	411	(105)	393	482	–	6,516
Investment income	–	–	–	–	–	–	–	7,785	7,785
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	(51)	(51)
Investment related expenses	–	–	–	–	–	–	–	(138)	(138)
Exchange losses, net	–	–	–	–	–	–	–	(210)	(210)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	–	(1)	–	(1)
Finance costs	–	–	–	–	–	–	–	(963)	(963)
Sundry income and expenses, net	–	–	–	–	–	–	–	60	60
Share of profits of associates	–	–	–	–	–	–	–	2,240	2,240
Profit/(loss) before tax	4,447	683	205	411	(105)	393	481	8,723	15,238
Income tax expense	–	–	–	–	–	–	–	(3,155)	(3,155)
Profit/(loss) for the period – segment results	4,447	683	205	411	(105)	393	481	5,568	12,083

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2018 and 31 December 2017 are as follows:

	Insurance							Corporate	Total
30 June 2018 (Unaudited)	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Segment assets	**11,176**	**12,484**	**1,761**	**10,420**	**18,829**	**16,970**	**26,622**	**465,323**	**563,585**
Segment liabilities	**202,986**	**19,689**	**3,423**	**23,764**	**34,276**	**22,054**	**32,627**	**86,701**	**425,520**

	Insurance							Corporate	Total
31 December 2017 (Audited)	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Segment assets	13,299	12,055	1,490	8,082	4,056	7,502	22,082	456,000	524,566
Segment liabilities	209,267	19,171	3,276	21,044	19,231	12,801	27,380	79,282	391,452

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) 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 2018 *RMB million* (Unaudited)	Six months ended 30 June 2017 *RMB million* (Unaudited)
Gross written premiums		
Direct written premiums	**204,781**	179,317
Reinsurance premiums assumed	**260**	366
	205,041	179,683
Net earned premiums		
Gross written premiums	**205,041**	179,683
Less: Reinsurance premiums ceded	**(16,851)**	(14,701)
Net written premiums	**188,190**	164,982
Gross change in unearned premium reserves	**(21,178)**	(21,780)
Less: Reinsurer's share of change in unearned premium reserves	**1,822**	965
Net change in unearned premium reserves	**(19,356)**	(20,815)
Net earned premiums	**168,834**	144,167

5. NET CLAIMS INCURRED

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Gross claims paid	**103,065**	88,240
Less: Paid losses recoverable from reinsurers	**(7,548)**	(8,134)
Net claims paid	**95,517**	80,106
Gross change in loss and loss adjustment expense reserves	**6,907**	7,219
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	**845**	515
Net change in loss and loss adjustment expense reserves	**7,752**	7,734
Net claims incurred	**103,269**	87,840

6. INVESTMENT INCOME

	Six months ended 30 June 2018 *RMB million* (Unaudited)	Six months ended 30 June 2017 *RMB million* (Unaudited)
Operating lease income from investment properties	**125**	134
Interest income from:		
Current and term deposits	**2,008**	2,076
Debt securities		
– Held-to-maturity	**1,044**	1,042
– Available-for-sale	**2,455**	1,453
– At fair value through profit or loss	**36**	31
Derivative financial instruments	**–**	3
Investments classified as loans and receivables	**1,471**	1,637
	7,014	6,242
Dividend income from equity securities and mutual funds:		
– Available-for-sale	**1,603**	1,354
– At fair value through profit or loss	**40**	55
	1,643	1,409
	8,782	7,785

7. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	**(20)**	19
– At fair value through profit or loss	**17**	–
Equity securities and mutual funds		
– Available-for-sale	**(114)**	60
– At fair value through profit or loss	**(38)**	86
Unrealised gains/(losses) from:		
Debt securities classified as fair value through profit or loss	**25**	(25)
Equity securities and mutual funds classified as fair value through profit or loss	**(43)**	–
Fair value gains on investment properties	**55**	16
Impairment losses on equity securities and mutual funds classified as available-for-sale	**(83)**	(207)
	(201)	(51)

8. FINANCE COSTS

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Interest on bonds payable	**585**	581
Interest on securities sold under agreements to repurchase	**495**	371
Other finance costs	**13**	11
	1,093	963

9. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Employee expenses	**16,777**	15,763
Depreciation of property and equipment	**803**	723
Amortisation of prepaid land premiums	**80**	73
Impairment losses on insurance receivables	**125**	320
Impairment losses on prepayments and other assets	**13**	13
Minimum lease payments under operating leases in respect of land and buildings	**390**	393

10. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2017: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Current	**7,833**	7,678
Deferred	**(3,068)**	(4,523)
Total tax charge for the period	**4,765**	3,155

11. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2018.

Pursuant to the shareholders' approval at the general meeting on 22 June 2018, a final dividend of RMB0.338 per ordinary share totalling RMB5,012 million in respect of the year ended 31 December 2017 was declared.

Pursuant to the shareholders' approval at the general meeting on 23 June 2017, a final dividend of RMB0.309 per ordinary share totalling RMB4,582 million in respect of the year ended 31 December 2016 was declared.

12. BASIC EARNINGS PER SHARE

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited) (Restated)
Earnings:		
Profit attributable to owners of the Company (RMB million)	**12,090**	12,083
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	**22,242**	22,242
Basic earnings per share (in RMB)	**0.544**	0.543

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

The weighted average number of ordinary shares in issue during the period and comparative period were adjusted to reflect the effect of the conversion from the share premium account to issued capital.

Diluted earnings per share amounts for the six months ended 30 June 2018 and 2017 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Demand deposits	**18,535**	13,665
Securities purchased under resale agreements with original maturity of less than three months	**15,850**	20,082
Deposits with banks with original maturity of less than three months	**1,073**	941
	35,458	34,688
Classification of cash and cash equivalents:		
Loans and receivables	**35,458**	34,688

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals as at 30 June 2018 and 31 December 2017.

14. DEBT SECURITIES

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Classification of debt securities:		
At fair value through profit or loss	**2,074**	1,847
Available-for-sale, at fair value	**105,136**	109,973
Held-to-maturity, at amortised cost	**41,857**	41,908
	149,067	153,728

15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Investments, at fair value:		
Shares	**26,939**	32,988
Mutual funds	**22,711**	16,527
Preferred shares	**7,531**	7,921
Equity schemes	**9,104**	7,022
Perpetual bonds	**243**	243
	66,528	64,701

Equity schemes are structured entities which are set up for investing in one or more equity investments. The underlying equity investments of these equity schemes are usually determined at inception of these schemes and any changes to, or additional investments in, the underlying equity investments of any particular scheme requires support from two-thirds of the beneficiary interests in that scheme.

The Group did not guarantee or provide any financing support for these equity schemes, and considers that the carrying amount of these equity schemes represents the Group's maximum loss exposure.

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Classification of equity securities and mutual funds:		
At fair value through profit or loss	**1,397**	5,792
Available-for-sale, at fair value	**65,131**	58,909
	66,528	64,701

For the six months ended 30 June 2018, an impairment loss of RMB83 million was provided by the Group on equity securities and mutual funds (six months ended 30 June 2017: RMB207 million).

16. INSURANCE RECEIVABLES, NET

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Premiums receivable and agents' balances	**50,839**	20,400
Receivables from reinsurers	**14,825**	21,011
	65,664	41,411
Less: Impairment provisions on		
– Premiums receivable and agents' balances	**(3,445)**	(3,308)
– Receivables from reinsurers	**(243)**	(258)
	61,976	37,845

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

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Not yet due	**39,617**	20,900
Within 1 month	**7,046**	2,737
1 to 3 months	**6,606**	4,507
3 to 6 months	**5,731**	3,640
6 to 12 months	**1,997**	4,985
1 to 2 years	**865**	920
Over 2 years	**114**	156
	61,976	37,845

16. INSURANCE RECEIVABLES, NET *(continued)*

Included in the Group's insurance receivables are amounts due from a fellow subsidiary of RMB290 million (31 December 2017: RMB349 million) and an associate of RMB1,439 million (31 December 2017: RMB588 million), respectively. Please refer to note 30(c) for details.

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

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

17. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Gross amount ***RMB million***	**Reinsurers' share** ***RMB million***	**Net amount** ***RMB million***	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*
Unearned premium reserves	**147,288**	**(11,569)**	**135,719**	126,110	(9,747)	116,363
Loss and loss adjustment expense reserves	**145,545**	**(18,818)**	**126,727**	138,638	(19,663)	118,975
	292,833	**(30,387)**	**262,446**	264,748	(29,410)	235,338

18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
More than 3 months to 1 year	**348**	166
1 to 2 years	**–**	100
2 to 3 years	**671**	689
More than 3 years	**64,944**	60,345
	65,963	61,300

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Long-term debt investment schemes	**33,396**	33,188
Trust plans	**11,520**	11,100
Asset management products	**6,020**	5,220
Subordinated debts held	**500**	500
Others	**2,024**	1,172
	53,460	51,180

Long-term debt investment schemes ("Debt Schemes") are structured entities and offer either fixed or variable interests to their investors, and the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group's investments in Debt Schemes are entirely lending transactions in nature and the Group's proportion of funds lent to these Debt Schemes ranges from 1% to 100% (31 December 2017: 2% to 100%) of the total funds raised. The interest rates of these Debt Schemes are 4.2%-7.0% (31 December 2017: 3.5% to 7.0%) per annum as at 30 June 2018.

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES *(continued)*

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

The original term of subordinated debt held is 10 years with a redemption right exercisable by the issuer at the end of the fifth year after its issue. The interest rate of the debt is 5.60% (31 December 2017: 5.60%) per annum as at 30 June 2018.

20. INVESTMENTS IN ASSOCIATES

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Cost of investments in associates	**37,718**	37,620
Share of post-acquisition profit and other comprehensive income, net of dividend received	**6,272**	4,212
	43,990	41,832

As at 30 June 2018, except for the interests in Hua Xia Bank Co., Limited ("Hua Xia Bank"), all other associates that the Group holds interests in are unlisted companies. Hua Xia Bank is listed on the Shanghai Stock Exchange and the fair value of the Group's interests in Hua Xia as at 30 June 2018 was RMB19,096 million.

As at 30 June 2018, the carrying amount of Hua Xia Bank exceeded its fair value for more than one year. Management performed impairment test accordingly considering such impairment indicator. Based on management's assessment results, there was no impairment as at 30 June 2018.

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2018 *RMB million* (Unaudited)	Six months ended 30 June 2017 *RMB million* (Unaudited)
At 1 January	**4,976**	4,902
Transfers from property and equipment and prepaid land premiums	**61**	164
Fair value gain on revaluation of investment properties transferred from property and equipment and prepaid land premiums	**96**	108
Increase in fair value of investment properties during the period	**55**	16
Transfers to property and equipment	**(347)**	(214)
At 30 June	**4,841**	4,976

The fair values were determined based on the valuation carried out by an external independent valuer, JLL (Beijing) Real Estate Appraisal & Consultancy Co., Ltd.. Valuations were carried out by the following two approaches:

(i) The income approach determining the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or

(ii) The direct comparison approach comparing the target properties with the recent similar transaction cases, adjusting the difference of status, date, region and other specific factors between the target properties and the recent similar transaction cases, based on the recent similar transaction price.

The independent valuer usually determines the fair value of the investment properties by one of these approaches according to his professional judgement. Therefore, these fair values are categorised as Level 3.

As at 30 June 2018 and 31 December 2017, none of the Group's investment properties were pledged to secure general banking facilities granted to the Group.

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of RMB206 million (six months ended 30 June 2017: RMB193 million) and incurred construction costs of RMB644 million (six months ended 30 June 2017: RMB126 million) for construction in progress.

Assets with a net book value of RMB52 million were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB22 million), resulting in a net disposal gain of RMB10 million (six months ended 30 June 2017: RMB30 million).

During the six months ended 30 June 2018, construction in progress with an aggregate amount of RMB29 million (six months ended 30 June 2017: RMB55 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2018, property and equipment with a carrying amount of RMB37 million (six months ended 30 June 2017: RMB155 million) was transferred to investment properties, and investment properties with a carrying amount of RMB347 million (six months ended 30 June 2017: RMB214 million) was transferred to property and equipment.

23. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Reinsurance payables	**17,296**	17,319

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

Included in the Group's reinsurance payables are amounts due to a fellow subsidiary of RMB333 million (31 December 2017: RMB303 million) and an associate of RMB2,454 million (31 December 2017: RMB1,081 million), respectively. Please refer to note 30(c) for details.

24. OTHER LIABILITIES AND ACCRUALS

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Premiums received in advance (note)	**16,814**	18,135
Salaries and staff welfare payables	**9,338**	9,711
Commission payable	**7,679**	7,342
Dividend payable	**5,012**	–
Premium payable	**3,173**	3,005
Claims payable	**2,286**	3,066
Interest payable	**674**	164
Accrued capital expenditure	**399**	772
Amounts due to fellow subsidiaries (note 30(c))	**109**	102
Others	**11,837**	13,055
	57,321	55,352

Note:

Premiums received in advance represent amounts collected from policies not yet effective as at 30 June 2018 and 31 December 2017, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

25. ISSUED CAPITAL

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Issued and fully paid:		
Domestic shares of RMB1.00 each	**15,343**	10,229
H shares of RMB1.00 each	**6,899**	4,599
	22,242	14,828

The movements in issued capital were as follows:

	Number of shares in issue *Million*	Issued capital *RMB million*
As at 1 January 2018	**14,828**	**14,828**
Conversion from share premium account	**7,414**	**7,414**
At 30 June 2018	**22,242**	**22,242**

On 22 June 2018, the shareholders of the Company at the general meeting approved a conversion of RMB7,414 million from share premium account to issued capital on the basis of 5 shares for every 10 existing shares.

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities and mutual funds, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables and payables to reinsurers. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying amount		Fair value	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
	RMB million	*RMB million*	***RMB million***	*RMB million*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
At fair value through profit or loss				
– Equity securities and mutual funds	**1,397**	5,792	**1,397**	5,792
– Debt securities	**2,074**	1,847	**2,074**	1,847
Available-for-sale				
– Equity securities and mutual funds	**65,131**	58,909	**65,131**	58,909
– Debt securities	**105,136**	109,973	**105,136**	109,973
Held-to-maturity investments				
– Debt securities	**41,857**	41,908	**42,877**	42,272
Loans and receivables				
– Cash and cash equivalents	**35,458**	34,688	**35,458**	34,688
– Term deposits	**65,963**	61,300	**65,963**	61,300
– Investments classified as loans and receivables	**53,460**	51,180	**54,863**	52,001
– Insurance receivables, net	**61,976**	37,845	**61,976**	37,845
– Other assets	**15,556**	13,536	**15,556**	13,536
Total financial assets	**448,008**	416,978	**450,431**	418,163
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	**17,296**	17,319	**17,296**	17,319
– Accrued insurance security fund	**915**	958	**915**	958
– Securities sold under agreements to repurchase	**25,210**	23,121	**25,210**	23,121
– Policyholders' deposits	**2,284**	2,296	**2,284**	2,296
– Bonds payable	**23,341**	23,262	**22,877**	22,012
– Other liabilities	**31,144**	20,995	**31,144**	20,995
Total financial liabilities	**100,190**	87,951	**99,726**	86,701

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the fair value hierarchy of financial instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 21 to the condensed consolidated financial statements.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

30 June 2018 (Unaudited)	Fair value hierarchy Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets				
– Held-to-maturity investments	2,119	40,758	–	42,877
– Investments classified as loans and receivables	–	54,863	–	54,863
Financial liabilities				
– Bonds payable	–	22,877	–	22,877

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the fair value hierarchy of financial instruments *(continued)*

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

31 December 2017 (Audited)	Fair value hierarchy Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets				
– Held-to-maturity investments	989	41,283	–	42,272
– Investments classified as loans and receivables	–	52,001	–	52,001
Financial liabilities				
– Bonds payable	–	22,012	–	22,012

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 categories above have been determined in accordance with generally accepted pricing models for such debt instruments based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties or the Group.

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the fair value hierarchy of financial instruments *(continued)*

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

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

Financial assets/ financial liabilities	Fair value 30 June 2018 *RMB million* (Unaudited)	Fair value 31 December 2017 *RMB million* (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Debt securities classified as fair value through profit or loss	**784**	505	Level 1	Quoted bid prices in an active market.
Debt securities classified as fair value through profit or loss	**1,290**	1,342	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at an observable rate that reflects the credit risk of counterparty.
Equity securities and mutual funds classified as fair value through profit or loss	**1,397**	5,792	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**8,027**	7,181	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	**97,109**	102,792	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	**47,146**	41,475	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	**9,758**	10,147	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend/coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	**5,315**	3,060	Level 3	The fair value is determined with reference to the quoted market price or latest transacted prices.
Available-for-sale equity securities and mutual funds	**1,169**	2,485	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	**1,743**	1,742	Level 3	Fair value of the investments is based on the use of internal valuation models.

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the fair value hierarchy of financial instruments *(continued)*

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

As at 30 June 2018 (Unaudited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	1,397	–	–	1,397
– Debt securities	784	1,290	–	2,074
Available-for-sale financial assets				
– Equity securities and mutual funds	47,146	9,758	8,227	65,131
– Debt securities	8,027	97,109	–	105,136
	57,354	108,157	8,227	173,738

As at 31 December 2017 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	5,792	–	–	5,792
– Debt securities	505	1,342	–	1,847
Available-for-sale financial assets				
– Equity securities and mutual funds	41,475	10,147	7,287	58,909
– Debt securities	7,181	102,792	–	109,973
	54,953	114,281	7,287	176,521

26. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(2) Determination of fair value and the fair value hierarchy of financial instruments *(continued)*

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

For the six months ended 30 June 2018, available-for-sale debt securities with carrying amount of RMB3,441 million (six months ended 30 June 2017: RMB823 million) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, available-for-sale debt securities with carrying amount of RMB2,527 million (six months ended 30 June 2017: RMB1,132 million) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 30 June 2018.

No sensitivity analysis for Level 3 unlisted equity investments is presented as the fair value of these unlisted equity investments was not significantly sensitive to reasonably possible changes in unobservable inputs used in the sensitivity analysis.

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
At 1 January	**7,287**	5,785
Addition	**909**	634
Transfer out (note)	**(1,152)**	–
Unrealised gains recognised in other comprehensive income	**1,183**	508
At 30 June	**8,227**	6,927

Note: During the six months ended 30 June 2018, the lock-up period of shares of a listed equity investment has expired, and consequently the Group transferred the listed equity investment with a carrying amount of RMB1,152 million from Level 3 to Level 1.

There were no transfers into Level 3 for the six months ended 30 June 2018 and 2017.

27. CONTINGENT LIABILITIES

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

There were certain outstanding litigation matters against the Group as at 30 June 2018. The management of the Company believes such litigation matters will not cause significant losses to the Group.

28. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 21) under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 23 years (31 December 2017: 1 to 23 years).

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

	30 June 2018 ***RMB million*** **(Unaudited)**	31 December 2017 *RMB million* (Audited)
Within one year	**214**	215
In the second to fifth years, inclusive	**307**	302
After five years	**68**	67
	589	584

28. OPERATING LEASE COMMITMENTS *(continued)*

(b) As lessee

The Group leases office premises and motor vehicles under various operating lease arrangements.

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

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Within one year	**257**	296
In the second to fifth years, inclusive	**923**	962
After five years	**254**	259
	1,434	1,517

29. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments:

	30 June 2018 *RMB million* (Unaudited)	31 December 2017 *RMB million* (Audited)
Contracted, but not provided for:		
Property and equipment	**1,931**	1,889

30. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2018 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2017 *RMB million* (Unaudited)
Transactions with PICC Group:		
Rental expense and WAN service fees	**46**	47
Transactions with fellow subsidiaries:		
Management fee	**101**	88
Service fee	**145**	–
Subscription amount of financial products set up and managed by fellow subsidiaries	**2,864**	1,250
Premiums ceded	**292**	221
Reinsurance commission income	**99**	127
Paid losses recoverable from reinsurers	**111**	114
Brokerage commission expense	**167**	55
Transactions with associates:		
Premiums ceded	**2,356**	1,135
Reinsurance commission income	**814**	385
Paid losses recoverable from reinsurers	**632**	28
Premiums paid	**7**	11
Agency services commission received	**79**	139
Agency services commission paid	**244**	197
Interest income	**178**	199
Dividend received	**387**	387
Transactions with an associate of PICC Group:		
Interest income	**292**	304
Dividend income	**836**	775
Interest expenses	**30**	15
Claims paid	**4**	7

30. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

30. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

	30 June 2018 ***RMB million*** **(Unaudited)**	31 December 2017 *RMB million* (Audited)
Cash and cash equivalents:		
An associate	**109**	56
An associate of PICC Group	**1,873**	797
Term deposits:		
An associate	**6,550**	6,500
An associate of PICC Group	**12,544**	10,544
Debt securities:		
An associate of PICC Group	**3,296**	3,158
Equity securities:		
An associate of PICC Group	**18,375**	21,558
Receivables from reinsurers:		
A fellow subsidiary (note 16)	**290**	349
An associate (note 16)	**1,439**	588
Due from related parties:		
The PICC Group	**163**	53
A fellow subsidiary	**40**	57
An associate	**322**	1,125
An associate of PICC Group	**375**	560
Payables to reinsurers:		
A fellow subsidiary (note 23)	**333**	303
An associate (note 23)	**2,454**	1,081
Dividend payable:		
The PICC Group	**3,457**	–
Due to related parties:		
Fellow subsidiaries (note 24)	**109**	102
An associate of PICC Group	**5**	5
Bonds payable issued to:		
An associate of PICC Group	**462**	462

30. RELATED PARTY TRANSACTIONS *(continued)*

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

PICC Life Insurance Company Limited ("PICC Life"), PICC Health Insurance Company Limited ("PICC Health") and PICC Reinsurance Company Limited ("PICC Reinsurance") are both associates of the Company and fellow subsidiaries of the Company as their parent company is PICC Group. In the above note, PICC Life, PICC Health and PICC Reinsurance are included in "associates" and excluded from "fellow subsidiaries".

The balances with the PICC Group, fellow subsidiaries, associates and an associate of PICC Group are settled according to respective arrangements between the Company and the related parties.

(d) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

No transactions have been entered with the key management personnel during the six months ended 30 June 2018 other than the emoluments paid to them (being the key management personnel compensation).

31. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 24 August 2018.

Definitions

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

"Board" or "Board of Directors"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"Company"	PICC Property and Casualty Company Limited
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Director(s)"	director(s) of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PICC Group"	The People's Insurance Company (Group) of China Limited
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"%"	per cent

Corporate Information

REGISTERED NAME

Chinese name: 中國人民財產保險股份有限公司

Abbreviation of Chinese name: 人保財險

English name: PICC Property and Casualty Company Limited

Abbreviation of English name: PICC P&C

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC P&C

STOCK CODE

2328

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Miao Jianmin

SECRETARY OF THE BOARD OF DIRECTORS

Zou Zhihong

COMPANY SECRETARY

Man Kam Ching

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LEGAL ADVISORS

as to Hong Kong Laws
Linklaters

as to PRC Laws
King & Wood Mallesons