中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

Stock Code：1339

Interim Report 2018

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") is the first nation-wide insurance company in the People's Republic of China (the "PRC") and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking the 117th in the List of Fortune Global 500 (2018) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC Property and Casualty Company Limited ("PICC P&C", listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 02328) and in Hong Kong through The People's Insurance Company of China (Hong Kong), Limited ("PICC Hong Kong"), in which the Company holds approximately 68.98% and 75.0% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"), in which the Company, directly and indirectly, holds 80.0% and approximately 95.45% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC Asset Management Company Limited ("PICC AMC"), in which the Company holds 100% of equity interest, and holds a 100% equity interest in PICC Investment Holding Co., Ltd ("PICC Investment Holding") which is a professional investment company specializing in real estate investments. The Company carries out non-transactional businesses such as equity and debt investments in insurance and non-insurance capital within and outside the Group through PICC Capital Investment Management Company Limited ("PICC Capital") in which it holds a 100% equity interest. The Company takes PICC Financial Services Company Limited ("PICC Financial Services") as a professional platform for the layout of Internet finance in which the Company holds 100% of equity interest. The Company operates reinsurance business within and outside the Group through PICC Reinsurance Company Limited ("PICC Reinsurance ") in which the Company, directly and indirectly, holds 100% of equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension Company Limited ("PICC Pension") in which the Company holds 100% of equity interest and has also made strategic investments in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

- We are the first nation-wide insurance company of New China, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognized brand with long history in the industry;

- We are an integrated insurance financial group focusing on our core business, insist on under the development of customer-oriented strategy to achieve co-development of various business segments;

- We have diversified institutions and service network based in cities and towns and across the country, as well as extensive and solid customer base, contributing to our ability to seize the tremendous opportunities on the Blue Ocean market of medium-and small-sized cities and counties;

- We have an internationally first-class and Asia's leading P&C insurance company with obvious advantages in scale, cost and service as well as outstanding profitability;

- We have a life insurance company with a layout throughout the country, rapid growth, continuous profitability and sound operating platform as well as with great potentials in business transformation and value creation;

- We have the first nation-wide professional health insurance company to actively seize the development opportunity and create a featured healthy endowment ecosystem;

- We have an industry-leading asset management platform characterized by steady investment and proven performance;

- We serve for people's livelihood, safeguard the economy, fulfill social responsibilities, grasp policy opportunities and explore new business model with an overall plan;

- We have advanced and applicable information technology to define a layout in technological finance area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;

- We have shareholders offering continuous and strong support, an experienced and insightful management team and a high calibre of professional staff.

Contents

Financial Highlights

			Unit:RMB in millions, except for percentages
	30 June 2018	31 December 2017	(% of change)
Total assets	**1,040,610**	987,906	5.3
Total liabilities	**843,185**	801,025	5.3
Total equity	**197,425**	186,881	5.6
Net assets value per share (RMB) [1]	**3.43**	3.24	5.7

			Unit:RMB in millions, except for percentages
	For the six months ended 30 June		
	2018	2017	(% of change)
Gross written premiums	**286,162**	279,726	2.3
Net profit	**14,348**	12,791	12.2
Net profit attributable to equity holders of the Company	**10,045**	8,815	14.0
Earnings per share (RMB) – Basic and diluted [1]	**0.24**	0.21	14.0
Weighted average return on equity (annualised) (%)	**14.1**	13.5	Increase of 0.6pt

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

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments: the P&C insurance business constitutes the P&C insurance segment and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interest, respectively; the life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life , in which the Company directly and indirectly holds 80.0% equity interest, and the health insurance segment includes PICC Health , in which the Company directly and indirectly holds 95.45% equity interest; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital , and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), in which the Company holds 100%. The Company also holds 100% equity interest in PICC Financial Services, directly and indirectly holds 100% of equity interest in PICC Reinsurance and holds 100% equity interest in PICC Pension.

KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Original Premiums Income			
PICC P&C	**204,781**	179,317	14.2
PICC Life	**69,888**	83,291	(16.1)
PICC Health	**10,583**	16,543	(36.0)
Combined ratio of PICC P&C (%)	**95.9**	95.5	Increase of 0.4 pt
Value of half year's new business of PICC Life	**3,068**	3,907	(21.5)
Value of half year's new business of PICC Health	**304**	284	7.0
Total investment yield (annualised) (%)	**5.1**	5.4	Decrease of 0.3 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2018	As of 31 December 2017	(% of change)
Market share [(1)]			
PICC P&C (%)	**34.0**	33.1	Increase of 0.9 pt
PICC Life (%)	**4.3**	4.1	Increase of 0.2 pt
PICC Health (%)	**0.6**	0.7	Decrease of 0.1 pt
Embedded Value of PICC Life	**66,817**	61,909	7.9
Embedded Value of PICC Health	**8,111**	7,831	3.6

	As of 30 June 2018	As of 31 December 2017	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	**320**	299	Increase of 21 pt
PICC P&C	**280**	278	Increase of 2 pt
PICC Life	**273**	219	Increase of 54 pt
PICC Health	**365**	396	Decrease of 31 pt
Core solvency margin ratio (%)			
PICC Group	**244**	235	Increase of 9 pt
PICC P&C	**232**	229	Increase of 3 pt
PICC Life	**206**	192	Increase of 14 pt
PICC Health	**238**	257	Decrease of 19 pt

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

For the six months ended 30 June 2018, by closely following the general tone of "making progress while maintaining stability", the Group put new development philosophy into practice, constantly improved the thinking of transforming to a high quality development during its practice, established the Group's "3411" transformation and development main line and strengthened employees' confidence and determination in deepening transformation and development. The Group enjoyed a good situation of having a steady business growth and continuous optimisation of business structure. For the six months ended 30 June 2018, the market share of PICC P&C in the P&C insurance market was 34.0%, the market share of PICC Life in life and health insurance market was 4.3% and the market share of PICC Health in life and health insurance market was 0.6%. In terms of the total written premiums (the "TWPs"), for the six months ended 30 June 2018, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB204,781 million, RMB73,050 million, RMB11,002 million and HKD173 million, respectively. The Group closely focused on the main line of transforming to a high quality development, proactively adapted to changes in the development trends of the industry, accelerated structural adjustment of synergy among business lines, unceasingly strengthened innovative mode of business synergy and its capability in technology and stressed on promoting the implementation of the Group's integration strategy. Affected by the proactive adjustment of business structure and the reduction in short and medium-term product scale, the TWPs generated by cross-selling & synergy among the Group's business lines dropped by 52.35% to RMB10,784 million for the six months ended 30 June 2018 from RMB22,631 million for the same period in 2017.

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Gross written premiums	**286,162**	279,726	2.3
P&C Insurance	**205,688**	179,856	14.4
Life Insurance	**69,891**	83,328	(16.1)
Health Insurance	**10,583**	16,543	(36.0)
Profit before tax	**19,405**	15,809	22.7
Net Profit	**14,348**	12,791	12.2
Net profit attributable to equity holders of the Company	**10,045**	8,815	14.0
Earnings per share (RMB)	**0.24**	0.21	14.0
Weighted average return on equity (annualised) (%)	**14.1**	13.5	Increase of 0.6 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2018	As of 31 December 2017	(% of change)
Total assets	**1,040,610**	987,906	5.3
Total liabilities	**843,185**	801,025	5.3
Total equity	**197,425**	186,881	5.6
Net assets per share (RMB)	**3.43**	3.24	5.7
Gearing ratio [(1)] (%)	**81.0**	81.1	(0.1)

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

The Group's capital base has been further strengthened, in which total equity grew by 5.6% to RMB197,425 million as of 30 June 2018 from RMB186,881 million as of 31 December 2017. The Group's gross written premiums ("GWPs") increased by 2.3% to RMB286,162 million in 2018 from RMB279,726 million for the six months ended 30 June 2017. Net profit increased by 12.2% to RMB14,348 million for the six months ended 30 June 2018 from RMB12,791 million for the same period in 2017. Net profit attributable to equity holders of the Company increased by 14.0% to RMB10,045 million for the six months ended 30 June 2018 from RMB8,815 million for the same period in 2017. The weighted average return on equity of the Group increased by 0.6 percentage points to 14.1% for the six months ended 30 June 2018 from 13.5% for the same period in 2017.

The net assets per share of the Group increased by 5.7% to RMB3.43 as of 30 June 2018 from RMB3.24 as of 31 December 2017. The Group's earnings per share increased by 14.0% to RMB0.24 for the six months ended 30 June 2018 from RMB0.21 for the same period in 2017. The Group's gearing ratio decreased by 0.1 percentage point to 81.0% as of 30 June 2018 from 81.1% as of 31 December 2017.

P&C INSURANCE BUSINESS

In the first half of 2018, the deregulation of premium rate for commercial motor vehicle insurance in P&C insurance business continued to deepen and strict regulation continued to step up which resulted in intensified industry competition and cross-sector competition. As such, the industry has entered into a new cycle of accelerated switching of development motivation and accelerated restructuring of the market landscape. Facing the new challenges and opportunities, the P&C insurance segment took the initiative to serve the overall interests of economic and social development and the upgrade of personal consumption demand, upgrade its product offerings, adjust market strategy, enhance service quality, strengthen risk control, and accelerate reform in quality, efficiency and driving forces. In the first half of 2018, PICC P&C achieved Original Premiums Income of RMB204.781 billion, with development outperforming the market and profit better than the industry. The business showed a good momentum of stability with progress made and progressing with improvement in quality.

(1) Analysis by Product

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Motor vehicle insurance	122,439	117,854	3.9
Commercial property insurance	8,432	7,632	10.5
Liability insurance	11,908	8,927	33.4
Accidental injury and health insurance	29,036	21,196	37.0
Cargo insurance	2,086	1,718	21.4
Agricultural insurance	18,689	14,087	32.7
Other P&C insurance	12,703	8,409	51.1
Total	205,293	179,823	14.2

GWPs for the P&C insurance segment increased by 14.2% to RMB205,293 million for the six months ended 30 June 2018 from RMB179,823 million for the same period in 2017. The overall steady growth was largely driven by the relatively rapid development in areas such as accidental injury and health insurance, agricultural insurance, liability insurance and credit insurance business.

GWPs for motor vehicle insurance increased by 3.9% to RMB122,439 million for the six months ended 30 June 2018 from RMB117,854 million for the same period in 2017. In the first half 2018, the P&C insurance segment actively responded to challenges of slowdown in new car sales and deepening deregulation of premium rate for commercial motor vehicle insurance, further improved the outlay of channels, and enhanced resources allocation efficiency and control of channels; improved marketing strategy and sales process management of motor vehicle insurance, established supervision mechanism for motor vehicle insurance business process; deepened the excellent claim service program, upgraded the customer service system, and increased customer stickiness with high quality services and brand influence, achieving a higher renewal rate as compared with the same period of last year and a steady increase in GWPs for motor vehicle insurance.

GWPs for commercial property insurance increased by 10.5% to RMB8,432 million for the six months ended 30 June 2018 from RMB7,632 million for the same period in 2017. In the first half of 2018, the commercial property insurance segment overcame the adverse effects of intensified competition and falling premium rates in market, actively conducted online promotion of new products such as insurances for new materials and photovoltaic power generation loss, continuously enhanced professional capability in underwriting, fully motivated base-level employees to expand business and facilitated the steady development of the commercial property insurance business.

GWPs for liability insurance increased by 33.4% to RMB11,908 million for the six months ended 30 June 2018 from RMB8,927 million for the same period in 2017. In the first half of 2018, the P&C insurance segment continued to develop traditional scalable types of insurance such as employer, product and public liability insurances. At the same time, the segment was committed to serve national strategies such as the modernisation of state governance, development of the real economy, improvement of people's livelihood and poverty alleviation in a targeted way, actively develop liability insurances related to the quality and safety of agricultural products and government poverty alleviation and assistance which strongly supported the growth of liability insurance business.

GWPs for accidental injury and health insurance increased by 37.0% to RMB29,036 million for the six months ended 30 June 2018 from RMB21,196 million for the same period in 2017. In the first half of 2018, the P&C insurance segment sped up the construction of a social insurance service platform, continued to consolidate the development of critical illness insurance business while putting great effort in exploring business in new fields such as social medical insurance for nursing-care and poverty alleviation, medical assistance, supplementary work injury; actively promoted commercial health insurance business such as personal and family health insurance and supplementary medical insurance for enterprises; continued to develop major accidental injury insurances such as driver and passengers accidental injury insurance, corporate businesses insurance and construction accidental injury insurance to promote an overall rapid development of the accidental injury and health insurance business.

GWPs for cargo insurance increased by 21.4% to RMB2,086 million for the six months ended 30 June 2018 from RMB1,718 million for the same period in 2017. In the first half of 2018, the domestic cargo shipping market maintained stable and positive. The P&C insurance segment seized the development opportunity to actively promote related traditional insurances such as imports, waterways, and land and water combined transport insurances. At the same time, the segment continued to expand its individual decentralized business and effectively promoted the realisation of an overall rapid growth of the cargo insurance business.

GWPs for agricultural insurance increased by 32.7% to RMB18,689 million for the six months ended 30 June 2018 from RMB14,087 million for the same period in 2017. In the first half of 2018, the P&C insurance segment aligned with the national strategy of rejuvenating the countryside and actively consolidated and developed the agricultural insurance market. While firmly seizing existing business, the segment raised protection level, extended coverage and expanded product offerings to develop special agricultural insurances effectively. It expedited the development of innovative agricultural insurances such as agricultural catastrophes insurance, yield insurance and income insurance, and promoted development of additional business such as new agricultural main products, poverty alleviation insurance and local agricultural insurance.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 51.1% to RMB12,703 million for the six months ended 30 June 2018 from RMB8,409 million for the same period in 2017. In the first half of 2018, the P&C insurance segment improved product design, strengthened marketing and achieved rapid growth in personal credit loan guarantee insurance, performance guarantee insurance and short-term export credit insurance business which drove a rapid development of credit insurance business; meanwhile, special risk insurance, engineering insurance, family property insurance and hull insurance also achieved balanced development.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In the first half of 2018, PICC P&C commenced optimisation of its channel outlay, implemented channel strategies and revolutionised the driving force of channel development, which led to healthy growth in its business.

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June				
	2018			2017	
	Amount	(% of total)	(% of change)	Amount	(% of total)
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
Direct sales	56,559	27.6	2.2	55,335	30.9
Insurance brokerage	15,563	7.6	66.9	9,323	5.2
Total	204,781	100.0	14.2	179,317	100.0

(3) Financial Analysis

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Net earned premiums	169,080	144,297	17.2
Investment income	7,807	7,002	11.5
Other income	948	796	19.1
Total income	183,162	156,400	17.1
Net claims and policyholders' benefits	103,417	87,886	17.7
Handling charges and commissions	37,592	25,738	46.1
Finance costs	1,094	966	13.3
Other operating and administrative expenses	27,456	29,355	(6.5)
Total benefits, claims and expenses	169,467	144,147	17.6
Profit before tax	17,559	15,763	11.4
Income tax expense	(4,764)	(3,094)	54.0
Net profit	12,795	12,669	1.0

Net earned premiums

Benefiting from the rapid development in the businesses of accidental injury and health insurance, agricultural insurance, liability insurance and credit insurance, net earned premiums of the P&C insurance segment increased by 17.2% to RMB169,080 million for the six months ended 30 June 2018 from RMB144,297 million for the same period in 2017.

Investment income

Investment income of the P&C insurance segment increased by 11.5% to RMB7,807 million for the six months ended 30 June 2018 from RMB7,002 million for the same period in 2017. This was primarily due to the fact that P&C insurance segment increased allocation in fixed-income assets and thus interest income increased compared to the same period of last year.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 17.7% to RMB103,417 million for the six months ended 30 June 2018 from RMB87,886 million for the same period in 2017, of which the loss ratio of PICC P&C increased by 0.3 percentage points to 61.2% for the six months ended 30 June 2018 from 60.9% for the same period of 2017. In the first half of 2018, PICC P&C enhanced business quality from the underwriting source and deepened management of improved claim handling which achieved certain result. However, due to the impact of natural disasters such as low temperature, rain, snow and freezing, wind and hail and flood, the loss ratio of commercial property insurance and agricultural insurance increased as compared to the same period of last year, and the overall loss rate increased slightly.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 46.1% to RMB37,592 million for the six months ended 30 June 2018 from RMB25,738 million for the same period in 2017. The increase in handling charges and commissions were mainly due to relatively fast increase in business scale, increased investment in high-quality business and intensified market competition.

Finance costs

Finance costs of the P&C insurance segment increased by 13.3% to RMB1,094 million for the six months ended 30 June 2018 from RMB966 million for the same period in 2017. The increase in finance costs was mainly due to the increase in interest expenses relating to securities sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the P&C insurance segment increased by 1.0% to RMB12,795 million for the six months ended 30 June 2018 from RMB12,669 million for the same period in 2017.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half of 2018, China's economy was generally stable. Prevention of financial risk became key economic work and financial regulation was tightened continuously. Insurance industry generally faced downside pressure to a larger extent with continued differentiation between large companies and small and medium companies. In face of the complicated market environment, the life insurance segment of the Group firmly "adjusted the business mode, structure and driving force", firmly "stabilized growth, emphasized value, strengthened the foundation", continuously consolidated management foundation, strengthened supporting system construction, strictly complied to the bottom line of risk compliance and effectively consolidated the foundation for systematic transformation. As at 30 June 2018, the first-year regular premiums of the Group's life insurance segment amounted to RMB12,139 million, the proportion of regular payment (including renewal) significantly increased by 20.0% to 51.5% and value of new business amounted to RMB3,068 million. The business structure was continuously refined.

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2018		2017	
	Amount	**(% of total)**	Amount	(% of total)
Life insurance				
General life insurance	**23,657**	**33.8**	61,520	73.8
Participating life insurance	**37,027**	**53.0**	11,886	14.3
Universal life insurance	**55**	**0.1**	51	0.1
Health insurance	**8,070**	**11.5**	8,732	10.5
Accident insurance	**1,079**	**1.6**	1,102	1.3
Total	**69,888**	**100.0**	83,291	100.0

In terms of TWPs, for the six months ended 30 June 2018, the TWPs of general life insurance, participating life insurance, universal life insurance amounted to RMB23,656 million, RMB37,245 million and RMB2,995 million, respectively. TWPs of health insurance and accidental injury insurance amounted to RMB8,075 million and RMB1,079 million, respectively. In recent years, regulatory authorities implemented strict regulation and continuously launched new policies. In the short term, there is impact on new business development. Nevertheless, in the long run, it is beneficial to the healthy, steady and high quality development of the industry. In face of the complicated market environment, the Company insisted on transformation to a high quality development and has successively achieved new results with value indicators constantly positive. The negative growth of TWPs is magnified due to the optimising business structure and the premium plan of reducing short and medium-term product.

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Bancassurance	**42,759**	48,702	(12.2)
First-year business of			
long-term insurance	**33,109**	43,657	(24.2)
Single premiums	**28,330**	38,124	(25.7)
First-year regular premiums	**4,779**	5,532	(13.6)
Renewal business	**9,585**	4,984	92.3
Short-term insurance	**65**	61	6.6
Individual Insurance	**23,120**	28,395	(18.6)
First-year business of			
long-term insurance	**7,840**	20,333	(61.4)
Single premiums	**583**	10,749	(94.6)
First-year regular premiums	**7,257**	9,584	(24.3)
Renewal business	**14,963**	7,666	95.2
Short-term insurance	**317**	396	(19.9)
Group Insurance	**4,009**	6,193	(35.3)
First-year business of			
long-term insurance	**2,824**	5,212	(45.8)
Single premiums	**2,787**	5,096	(45.3)
First-year regular premiums	**37**	115	(67.8)
Renewal business	**184**	72	155.6
Short-term insurance	**1,001**	910	10.0
Total	**69,888**	83,291	(16.1)

In terms of TWPs, for the six months ended 30 June 2018, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB43,751 million, RMB25,068 million and RMB4,231 million, respectively.

In the life insurance segment, the individual insurance agent channel became the main channel in contributing value. Such insurance channel focused on regular premiums business and was dedicated to develop an effective team. As of 30 June 2018, the number of insurance agents was 209,712. The first-year TWPs per capita from sales agent amounted to RMB3,359 and the number of new life insurance policies per capita was 1.10 per month. The bancassurance channel promoted value transformation, with sustaining increase in the proportion of regular premiums business and an optimising business structure. Leveraging on legal person customer resources, the group insurance sales channel explored regular premiums business and its sales competitiveness continued to consolidate while short-term premium increased steadily.

3. *Persistency Ratios of Premiums*

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

	For the Six Months Ended 30 June	
Item	**2018**	2017
13-month premium persistency ratio(1) (%)	**94.4**	93.1
25-month premium persistency ratio(2) (%)	**91.3**	89.2

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Net earned premiums	**69,503**	82,933	(16.2)
Investment income	**6,625**	8,125	(18.5)
Other income	**387**	385	0.5
Total income	**76,619**	91,534	(16.3)
Net claims and policyholders' benefits	**67,132**	82,849	(19.0)
Handling charges and commissions	**4,462**	5,613	(20.5)
Finance costs	**1,550**	783	98.0
Other operating and administrative expenses	**3,660**	3,632	0.8
Total benefits, claims and expenses	**76,764**	92,955	(17.4)
Profit before tax	**1,511**	(140)	–
Income tax expense	**19**	166	(88.6)
Net Profit	**1,530**	26	5,784.6

Net earned premiums

Net earned premiums for the life insurance segment decreased by 16.2% to RMB69,503 million for the six months ended 30 June 2018 from RMB82,933 million for the same period in 2017, mainly due to the Company's deepening transformation, continued optimisation of business structure and the premium plan of reducing short and medium-term product as well as the constraints on new business development of the industry under new regulatory rules.

Investment income

Investment income of the life insurance segment decreased by 18.5% to RMB6,625 million for the six months ended 30 June 2018 from RMB8,125 million for the same period in 2017. The decrease was mainly due to the proportion of equity investment in the Company's investment assets was relatively large and such investments were affected by market fluctuation which had a significant impact on the overall income of assets.

Other income

Other income of the life insurance segment increased by 0.5% to RMB387 million for the six months ended 30 June 2018 from RMB385 million for the same period in 2017, mainly due to the business synergy income which increased year-on-year.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment decreased by 19.0% to RMB67,132 million for the six months ended 30 June 2018 from RMB82,849 million for the same period in 2017. The decrease was mainly due to the successive new results achieved in the Company's transformation to a high quality development, adjustment in business structure and decrease in maturity benefits.

Handling charges and commissions

Handling charges and commissions of the life insurance segment decreased by 20.5% to RMB4,462 million for the six months ended 30 June 2018 from RMB5,613 million for the same period in 2017, mainly due to the decrease in premium income and the corresponding reduction in handling charge expenses.

Finance costs

Finance costs of the life insurance segment increased by 98.0% to RMB1,550 million for the six months ended 30 June 2018 from RMB783 million for the same period in 2017, which was mainly due to the increase in finance costs caused by the additional capital supplementary bonds of RMB12 billion this year and the increase in interest expenses of securities sold under agreements to repurchase and interest credited to policyholders' deposits.

Net profit

As a result of the foregoing reasons, the net profit of the life insurance segment increased by RMB1,504 million to RMB1,530 million for the six months ended 30 June 2018 from RMB26 million for the same period in 2017.

(2) Health Insurance

In the first half of 2018, under the guidance of "Speed up transformation and develop through innovation" and to leverage on professionalism and realise innovation, the health insurance segment of the Group coordinated its effort to stabilise growth, promote reform, adjust structure, create value and prevent risks, and actively served the "Healthy China" strategy and the construction of multi-level medical security system, transforming to high quality development at a faster rate. The Company gained good momentums including optimised business structure, enhanced profitability and strengthened professional capability. First-year regular premium of individual insurance agent channel increased by 30.5% as compared to the previous year; the short-term insurance premiums of group channel increased by 8.7% as compared to the previous year; the value of half-year's new business increased by 7.0% as compared to the same period in the previous year, which indicates a continuously enhancing value creation capabilities.

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2018		2017	
Health insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Illness insurance	**707**	**6.7**	489	3.0
Medical insurance	**7,910**	**74.7**	7,038	42.5
Disability losses insurance	**64**	**0.6**	61	0.4
Nursing care insurance	**916**	**8.7**	8,425	50.9
Accidental injury insurance	**403**	**3.8**	364	2.2
Participating endowment insurance	**583**	**5.5**	166	1.0
Total	**10,583**	**100.0**	16,543	100.0

In terms of TWPs, for the six months ended 30 June 2018, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance amounted to RMB707 million, RMB8,063 million, RMB64 million, RMB1,182 million, RMB403 million and RMB583 million, respectively. The health insurance segment has adhered to the value-oriented direction, solidly promoted the tasks, optimized continuously the business structure, and the value creation ability continuously improved. In the first half of 2018, with a complete stop in selling low value business such as short and medium-term product businesses, it achieved the TWPs of RMB11,002 million. In addition, the health insurance segment has also actively developed government commissioned processing business, and the medical insurance fund size under management was RMB16,781 million.

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Bancassurance	418	5,081	(91.8)
First-year business of			
long-term insurance	244	4,935	(95.1)
Single premiums	102	4,843	(97.9)
First-year regular premiums	142	92	54.3
Renewal business	161	137	17.5
Short-term insurance	13	8	62.5
Individual Insurance	1,800	3,694	(51.3)
First-year business of			
long-term insurance	587	3,214	(81.7)
Single premiums	22	2,781	(99.2)
First-year regular premiums	565	433	30.5
Renewal business	788	434	81.6
Short-term insurance	425	46	823.9
Group Insurance	8,365	7,768	7.7
First-year business of			
long-term insurance	20	93	(78.5)
Single premiums	8	90	(91.1)
First-year regular premiums	12	3	300.0
Renewal business	8	5	60.0
Short-term insurance	8,337	7,670	8.7
Total	10,583	16,543	(36.0)

In terms of TWPs, for the six months ended 30 June 2018, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB443 million, RMB1,993 million and RMB8,566 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 30 June 2018, the number of sales agents for the health insurance segment was 26,154. The first-year TWPs of new insurance policies amounted to RMB2,065 per sales agent per month and the new insurance policies were 0.60 per sales agent per month. The bancassurance channel actively responded to market changes, insisted on pursuing regular premiums, seriously strived for transformation and achieved relatively large growth in new policy regular premiums. The group insurance sales channel actively grasped the market and policy opportunities in government commissioned insurance, actively participated in construction of the national multi-level medical security systems, continuously expanded service areas and extended protection chains, achieving new results in key business fields such as basic medical insurance, critical illness insurance, long-term nursing-care insurance and health and poverty alleviation insurance. With regard to the commercial group insurance business, it accelerated business transformation, focused on development of protection-type business and achieved steady increase in premium income.

3. *Persistency Ratios of premiums*

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

	For the Six Months Ended 30 June	
Item	**2018**	2017
13-month premium persistency ratio(1) (%)	**85.7**	84.0
25-month premium persistency ratio(2) (%)	**79.1**	75.0

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Net earned premiums	**6,928**	12,595	(45.0)
Investment income	**606**	985	(38.5)
Other income	**55**	66	(16.7)
Total income	**7,578**	13,699	(44.7)
Net claims and policyholders' benefits	**6,037**	12,199	(50.5)
Handling charges and commissions	**343**	434	(21.0)
Finance costs	**243**	264	(8.0)
Other operating and administrative expenses	**940**	786	19.6
Total benefits, claims and expenses	**7,562**	13,687	(44.8)
Profit before tax	**22**	12	83.3
Income tax expense	**–**	–	–
Net profit	**22**	12	83.3

Net earned premiums

Net earned premiums of the health insurance segment decreased by 45.0% to RMB6,928 million for the six months ended 30 June 2018 from RMB12,595 million for the same period in 2017, mainly due to its active promoting of business transformation and upgrading, and stopping to sell short and medium-term products.

Investment income

Investment income from the health insurance segment decreased by 38.5% to RMB606 million for the six months ended 30 June 2018 from RMB985 million for the same period in 2017. This was primary due to the transformation of the Company's business development, significant outflow of investment funds and decline of the equity market.

Other income

Other income from the health insurance segment decreased by 16.7% to RMB55 million for the six months ended 30 June 2018 from RMB66 million for the same period in 2017. This was mainly due to the decrease in fee income related to universal products.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the health insurance segment decreased by 50.5% to RMB6,037 million for the six months ended 30 June 2018 from RMB12,199 million for the same period in 2017, mainly due to stopping to sell short and medium-term products and a decrease in withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of the health insurance segment decreased by 21.0% to RMB343 million for the six months ended 30 June 2018 from RMB434 million for the same period in 2017. This was mainly attributable to the transformation of the Company's business development, stopping to sell short and medium-term products and the corresponding reduction in handling charge expenses.

Finance costs

Finance costs from the health insurance segment decreased by 8.0% to RMB243 million for the six months ended 30 June 2018 from RMB264 million for the same period in 2017, primarily due to the decrease in interest expenses of securities sold under the agreements to repurchase.

Net profit

Mainly due to the factors mentioned above, the net profit of the health insurance segment increased by 83.3% to RMB22 million for the six months ended 30 June 2018 from RMB12 million for the same period in 2017.

Analysis of Original Premiums Income by Region

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

Unit: RMB in millions

	For the Six Months Ended 30 June	
	2018	2017
Guangdong Province	**23,641**	21,565
Jiangsu Province	**23,360**	22,440
Zhejiang Province	**19,125**	18,263
Shandong Province	**16,737**	17,030
Hebei Province	**15,866**	15,184
Sichuan Province	**13,129**	15,103
Hubei Province	**12,763**	11,363
Henan Province	**12,202**	10,478
Hunan Province	**11,899**	11,070
Beijing City	**10,741**	12,793
Other regions	**125,789**	123,862
Total	**285,252**	279,151

Asset Management Business

In the first half of 2018, the Group's asset management segment overcame certain adverse factors, such as significant fluctuation in bond yield and stock market and frequent occurrence of credit risk. It actively seized the opportunity when bond yield peaked and increased allocation in bonds. On the basis of developing traditional debt and equity products, it actively promoted the innovations of financial products such as inclusive finance and agriculture and SME support, and coordinated the development of major insurance business which helped maintain a stable investment return and effectively reduced investment risk. The debt products of the asset management segment had a registered scale of RMB4,000 million, of which the registered infrastructure debts amounted to RMB2,000 million and the registered real estate debts amounted to RMB2,000 million. As of 30 June 2018, the scale of entrusted third-party and the issued insurance assets management products of the asset management segment amounted to RMB262,264 million.

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

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Investment income	**251**	258	(2.7)
Other income	**792**	707	12.0
Total income	**1,043**	965	8.1
Finance costs	**4**	2	100.0
Other operating and administrative expenses	**568**	529	7.4
Total expenses	**570**	532	7.1
Profit before tax	**471**	434	8.5
Income tax expense	**(121)**	(105)	15.2
Net profit	**350**	329	6.4

Investment income

Investment income from the asset management segment decreased by 2.7% to RMB251 million for the six months ended 30 June 2018 from RMB258 million for the same period in 2017, mainly due to the decrease in gain on disposal of existing assets.

Other income

Other income of the asset management segment increased by 12.0% to RMB792 million for the six months ended 30 June 2018 from RMB707 million for the same period in 2017. This was mainly due to the increase in management fee income as a result of the substantial increase in the size of the third-party asset under management.

Finance costs

Finance costs for the asset management segment increased by 100% to RMB4 million for the six months ended 30 June 2018 from RMB2 million for the same period in 2017, primarily due to the increase in interest expenses of securities sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 6.4% to RMB350 million for the six months ended 30 June 2018 from RMB329 million for the same period in 2017.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

In the first half of 2018, global economic environment was complicated. In China, economy was stable, while in a backdrop of risk prevention and deleveraging of the financial industry, monetary policy remained steady and prudent and the launching of regulatory policies including new asset management rules had a relatively large impact on market expectation. Bond yield fluctuated significantly and the A-share market was volatile and declined. The Company seized the window for allocation at the peak of interest rate in the beginning of the year to increase allocation in long-duration bonds and non-standard debt products and reasonably controlled the proportion of equities and equity funds which effectively reduced investment risk.

(1) Investment Portfolio

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

Unit: RMB in millions, except for percentages

	As of 30 June 2018		As of 31 December 2017	
Investment assets	**Carrying amount**	**(% of total)**	Carrying amount	(% of total)
Cash and cash equivalents	60,329	6.9	72,819	8.5
Fixed-income investments	579,091	66.2	553,673	64.9
Term deposits	81,582	9.3	70,706	8.3
Treasury bonds	27,651	3.2	18,493	2.2
Financial bonds	104,904	12.0	105,595	12.4
Corporate bonds	162,060	18.5	150,273	17.6
Long-term debt investment scheme	105,017	12.0	105,290	12.3
Other fixed-income investments (1)	97,877	11.2	103,316	12.1
Fund and equity securities investments at fair value	98,715	11.3	92,869	10.9
Funds	62,736	7.2	54,045	6.3
Equity securities	35,979	4.1	38,824	4.6
Other investments	136,621	15.6	134,039	15.7
Investment in associates and joint ventures	101,473	11.6	97,740	11.5
Others (2)	35,148	4.0	36,299	4.2
Total investment assets	874,756	100.0	853,400	100.0

(1) Other fixed-income investments primarily consist of subordinated debts, wealth management products, capital guarantee deposits, policy loans, trust products and asset management products.

(2) Others primarily consist of investment properties, equity investment scheme, reinsurance arrangements classified as investment contacts, non-listed equity investments and derivative financial assets.

(2) Investment income

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

Unit: RMB in millions, except for percentages

Items	For the Six Months Ended 30 June 2018	2017
Cash and cash equivalents	542	385
Fixed-income investment	14,086	12,992
Interest income	14,101	12,997
Gains and losses from disposal of financial instruments	(15)	33
Gains and losses on fair value changes	–	(38)
Impairment	–	–
Fund and equity securities investments at fair value	600	2,658
Dividends and bonus income	1,711	1,602
Gains and losses from disposal of financial instruments	87	1,161
Gains and losses on fair value changes	(448)	296
Impairment	(750)	(401)
Other investment	6,287	5,632
Investment income in associates and joint ventures	5,812	5,945
Other profits and losses	475	(313)
Total investment income	21,515	21,667
Net investment income(1)	22,652	21,483
Total investment yield (annualised)(2) (%)	5.1	5.4
Net investment yield (annualised)(3) (%)	5.4	5.3

(1) Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

(2) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the total investment assets as of the beginning of the period – the amount of financial assets sold under agreement to repurchase as of the beginning of the period + the total investment assets as of the end of the period – the amount of financial assets sold under agreement to repurchase as of the end of the period) × 2

(3) Net investment yield (annualised) = (net investment income – interest expenses on securities sold under agreements to repurchase)/(the total investment assets as of the beginning of the period – the amount of financial assets sold under agreement to repurchase as of the beginning of the period + the total investment assets as of the end of the period – the amount of financial assets sold under agreement to repurchase as of the end of the period) × 2

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

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

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

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries. The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements of the Group and the Company in the foreseeable future.

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2018	2017	(% of change)
Net cash flow from operating activities	**(24,799)**	(3,516)	605.3
Net cash flow from investment activities	**(10,432)**	17,585	–
Net cash flow from financing activities	**22,609**	(219)	–

(2) Solvency

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

Unit: RMB in millions, except for percentages

	As of 30 June 2018	As of 31 December 2017	(% of change)
PICC Group			
Actual capital	287,357	251,983	14.0
Core capital	219,257	198,075	10.7
Minimum capital	89,869	84,323	6.6
Comprehensive solvency margin ratio (%)	320	299	Increase of 21 pt
Core solvency margin ratio (%)	244	235	Increase of 9 pt
PICC P&C			
Actual capital	160,337	154,590	3.7
Core capital	132,879	127,326	4.4
Minimum capital	57,316	55,552	3.2
Comprehensive solvency margin ratio (%)	280	278	Increase of 2 pt
Core solvency margin ratio (%)	232	229	Increase of 3 pt
PICC Life			
Actual capital	76,803	54,010	42.2
Core capital	57,973	47,192	22.8
Minimum capital	28,175	24,631	14.4
Comprehensive solvency margin ratio (%)	273	219	Increase of 54 pt
Core solvency margin ratio (%)	206	192	Increase of 14 pt
PICC Health			
Actual capital	11,041	10,930	1.0
Core capital	7,204	7,099	1.5
Minimum capital	3,029	2,763	9.6
Comprehensive solvency margin ratio (%)	365	396	Decrease of 31 pt
Core solvency margin ratio (%)	238	257	Decrease of 19 pt

As of 30 June 2018, the comprehensive solvency margin ratio of the Group was 320%, representing an increase of 21 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 244%, representing an increase of 9 percentage points as compared to that as of 31 December 2017.

As of 30 June 2018, the comprehensive solvency margin ratio of PICC P&C was 280%, representing an increase of 2 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 232%, representing an increase of 3 percentage points as compared to that as of 31 December 2017; the comprehensive solvency margin ratio of PICC Life was 273%, representing an increase of 54 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 206%, representing an increase of 14 percentage points as compared to that as of 31 December 2017; the comprehensive solvency margin ratio of PICC Health was 365%, representing a decrease of 31 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 238%, representing a decrease of 19 percentage points as compared to that as of 31 December 2017.

PROSPECTS

(1) Market Environment

During the first half of 2018, China's insurance industry faced growth differentiation pressure of the new cycle, with P&C insurance business maintaining a faster growth momentum while life insurance business recording an overall decrease. According to the information released by the CBIRC, the Original Premiums Income of China's insurance industry amounted to about RMB2.24 trillion for the first half of 2018, representing a decrease of 3.3% as compared to the same period last year. The Original Premiums Income of the P&C insurance companies increased 14.2% and the life and health insurance companies recorded a decrease of 8.5%, respectively, as compared to the same period last year. By the end of June 2018, total insurance assets of the insurance industry in China amounted to RMB17.64 trillion, representing an increase of 5.3% as compared to the beginning of 2018.

The current internal and external development environment of the industry is undergoing profound changes, entering into a new cycle with accelerated differentiation and transformation to a high quality development. From the perspective of macro economy, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, the economy of China is generally stable with steady progress which provides rare opportunities for the healthy development of the financial and insurance industry. Meanwhile, the economy of China has not yet emerged from the "three-period superimposition" stage. Its economic growth exhibits a "new normal" with new features of the current stage, which also give rises to new requirements for the development of the financial industry. As for regulatory policies, the central government has placed the prevention and control of financial risks at an unprecedented prominent position, taking it as the top mission among the "three major battles" of economic work this year. As evidenced by the implementation of reform in the financial regulatory system, promulgating new asset management rules, strict regulation of financial market conduct, actively pushing forward the deleveraging and risk prevention in the financial sector, and driving the financial industry to return to its origin as well as to transform, optimise and better serve the development of the real economy, the development orientation of China's financial industry is undergoing a fundamental transition. From the perspective of financial cycle, the macro-economic leverage ratio of China has increased at a fast pace under the influence of stimulating policies introduced in response to the financial crisis in 2008, which is posing substantial risks. As the geopolitics and economic cycle of the world have changed and the implementation of strict regulation and deleveraging policies, the extensive expansion stage of China's financial industry has passed and a long period of transformation will come. As for the development of the insurance industry, influenced by the changes in a big financial cycle, the insurance industry is also entering into a "new cycle" with differentiation as the major feature. From a short-term perspective, this trend is related to the current changes in financial regulatory policies and market liquidity, whereas observing from a longer cycle perspective, the impact of economic structural adjustment and new technological revolution and business models will pose long-term challenges for the development of the insurance industry. It is a transformation from quantitative change to qualitative change. More importantly, the overlapping of such short-term and long-term variables is pushing the insurance industry into a "new cycle" of differentiation with extensive elimination. The Matthew effect of "the strong gets stronger, the fast gets faster" is more prominent. Barring significant changes in external environment, this trend of differentiation will accelerate in the future. The only insurance enterprises that can survive and grow in this new cycle of differentiation are those who adhere to the origin of the industry, follow the regular patterns and trends, take the lead in grasping the trend of economic and demographic changes, push ahead the supply-side structural transformation and optimisation of insurance, pioneer in recognising the opportunities of new technological revolution and promote changes in technology and business model.

(2) Key tasks

In the second half of the year, the Company will ensure the completion of targeted tasks of this year basing on industrial competition and cyclical changes of the market, follow regular patterns and trends of insurance development in the new era, coordinate and make balanced considerations, and promote and implement in depth the "3411" project of transforming to a high quality development. "3411" project means promoting transformation of the "three" insurance companies, implementing "four" major strategies of innovation-driven development strategy, digital strategy, integration strategy and international strategy, pursuing achievement in "a central city battle" and sticking to "a bottom line" where no systematic risk occurred. Firstly, laying a firm foundation and enhancing sustainable development capability. We will deepen the transformation and development of insurance segments. The competitive edge of P&C insurance will be established through the integration of policy-based business and commercial business, and the integration of technology reform and business model reform. The competitive edge of life insurance will be established through the transition from the extension type to the intensive type, from the pursuit of business scale to the pursuit of value, and the shift from the bancassurance business to the individual insurance business. The competitive edge of health insurance will be established through the business model of "professionalism, efficiency, competency and flat structure". We will promote the building of investment research capability of the investment segment, enhance its capability of serving the insurance business, improve the capacity of seizing opportunities in asset management and enhance risk prevention and control ability. We will strengthen the building of infrastructure for emerging segments by giving full play to the complementary and activating role of PICC Financial Services to our principal business and accelerate fundamental work development for PICC Reinsurance such as accumulation and analysis of data and the building of an information platform. Strong breakthrough will also be pursued for PICC Pension. Secondly, enhancing quality and strengthening competitiveness. We will actively enhance service quality and combine the high quality offline services with the convenient online services properly to realise high quality development with high quality services plus high quality operation. We will enhance the quality of the management team and the sales team, and in particular, the political and professional ability of the management team, putting into actual practice the requirements of development and governance of the Company through philosophy, specialization, innovation and concepts amid a healthy atmosphere. Thirdly, focusing on key areas and strengthening of the ability to solve major conflicts. We will speed up the progress of our "top four strategies" and enhance the protection capacity of our services. We will put effort in key areas of transformation and development, pursue achievements in the "central city battle" and promote institutional reform and "three determinations". Fourthly, reinforcing "the bottom plate" by enhancing risk prevention and control ability fundamentally. We will strengthen risk control awareness of front-line departments and employees, improve risk control and compliance systems and mechanisms and strengthen supervision, appraisal and accountability to promote the law compliance and risk prevention standard of the Group comprehensively.

BORROWINGS

As at 30 June 2018, the balance of subordinated debts and capital supplementary bonds issued by the Group is set out in note 25 to the condensed consolidated financial statements. As at 30 June 2018, the balance of securities sold under agreements to repurchase is set out in the condensed consolidated statement of financial position. As at 30 June 2018, the Group had no bank borrowings.

NO MATERIAL CHANGES

Saved as disclosed in this interim report, from 1 January 2018 to 30 June 2018, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Embedded Value

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

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

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2018, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2018, on a range of assumptions. Copies of Deloitte's reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

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

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

CONSULTING ACTUARY'S REPORT FOR PICC LIFE INSURANCE COMPANY LIMITED

PICC Life has retained Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch to prepare the consulting actuary's report on matters related to its embedded value as of 30 June 2018. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

1. Scope of Work

Our scope of work is to prepare an embedded value report which covers:

- The methodology of the embedded value and value of half year's new business as of 30 June 2018;
- The assumptions of the embedded value and value of half year's new business as of 30 June 2018;
- The various embedded value results as of 30 June 2018, including the embedded value, value of half year's new business, and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- The breakdown of value of half year's new business as of 30 June 2018 by distribution channels.

2. Basis of Preparation, Reliance and Limitation

We carried out our work based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance", which was issued by China Association of Actuaries ("CAA") in November 2016.

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

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Life. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

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

3. Definition and Methodology

3.1 Definition

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

- **Embedded Value ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **Value of In-Force Business ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **Cost of Required Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **Value of Half year's New Business ("VHNB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year's new business; and

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

3.2 Methodology

In 2016, the China Risk Oriented Solvency System ("C-ROSS") became effective. Meanwhile, original CIRC terminated the use of "Guidance on Life Insurance Embedded Value Report Preparation" (CIRC [2005] No. 83). China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. We have calculated the embedded value and the value of half year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

The method adopted in this report is the commonly used embedded value approach in the industry. Both value of in-force business and value of half year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

4. Results Summary

In this section we have shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

4.1 Overall Results

Table 4.1.1 Embedded Value of PICC Life as at 30 June 2018 and 31 December 2017 *(Unit: RMB Million)*

	30/06/2018	31/12/2017
Risk Discount Rate	**10.0%**	10.0%
Adjusted Net Worth	**41,255**	39,467
Value of In-Force Business before CoC	**32,165**	28,469
Cost of Required Capital	**(6,602)**	(6,027)
Value of In-Force Business after CoC	**25,562**	22,442
Embedded Value	**66,817**	61,909

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

Table 4.1.2 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2018 and 30 June 2017 *(Unit: RMB Million)*

	30/06/2018	30/06/2017
Risk Discount Rate	**10.0%**	10.0%
Value of Half year's New Business before CoC	**4,030**	5,624
Cost of Required Capital	**(962)**	(1,717)
Value of Half year's New Business after CoC	**3,068**	3,907

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

4.2 *Results by Distribution Channels*

The results of the value of half year's new business split by distribution channel are illustrated in this section. The results of the value of half year's new business by distribution channel as of 30 June 2018 and 30 June 2017 are summarized in the table below.

Table 4.2.1 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2018 and 30 June 2017 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	**10.0%**				
Distribution Channel``	**Bancassu-rance**	**Individual insurance agent**	**Group sales**	**Reinsur-ance**	**Total**
Value of Half year's New Business after CoC (2018)	397	2,545	125	0	3,068
Value of Half year's New Business after CoC (2017)	481	3,136	290	0	3,907

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

The expense assumptions represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. The business scale has not reached the expected level given the short duration of the business. Therefore, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as of 30 June 2018.

5.1 *Risk Discount Rate*

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

5.2 *Rate of Investment Return*

A 5.25% p.a. investment return assumption has been used.

5.3 *Policy Dividend*

The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

5.4 *Mortality and Morbidity*

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

5.5 *Claim Ratio*

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 40% to 76% of gross premium depending on the lines of business.

5.6 *Lapse Rates*

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

5.7 *Expenses and Commissions*

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life.

It is assumed that the future inflation rate is 2.5% p.a..

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

5.8 *Tax*

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

6. Sensitivity Tests

The results of sensitivity tests on the value of in-force business and value of half year's new business are illustrated in this section. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 6.1 and 6.2.

Table 6.1 Value of In-Force Business of PICC Life as at 30 June 2018 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	32,165	25,562
Risk Discount Rate at 9%	35,299	29,187
Risk Discount Rate at 11%	29,561	22,548
Rate of investment return increased by 50 bps	38,618	32,345
Rate of investment return decreased by 50 bps	25,895	18,972
Expenses increased by 10%	31,441	24,839
Expenses decreased by 10%	32,888	26,286
Lapse rate increased by 10%	31,448	25,135
Lapse rate decreased by 10%	32,942	26,008
Mortality increased by 10%	31,901	25,323
Mortality reduced by 10%	32,433	25,806
Morbidity increased by 10%	31,703	25,105
Morbidity reduced by 10%	32,631	26,024
Short-term business claim ratio increased by 10%	32,121	25,519
Short-term business claim ratio decreased by 10%	32,208	25,606
Participating Ratio (80/20)	31,330	24,316

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

Table 6.2 Value of Half year's New Business for the 6 months up to 30 June 2018 of PICC Life under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	4,030	3,068
Risk Discount Rate at 9%	4,543	3,669
Risk Discount Rate at 11%	3,602	2,562
Rate of investment return increased by 50 bps	5,122	4,217
Rate of investment return decreased by 50 bps	2,969	1,952
Expenses increased by 10%	3,849	2,887
Expenses decreased by 10%	4,210	3,248
Lapse rate increased by 10%	3,857	2,953
Lapse rate decreased by 10%	4,214	3,189
Mortality increased by 10%	3,989	3,030
Mortality reduced by 10%	4,071	3,106
Morbidity increased by 10%	3,930	2,969
Morbidity reduced by 10%	4,130	3,168
Short-term business claim ratio increased by 10%	3,972	3,010
Short-term business claim ratio decreased by 10%	4,088	3,126
Participating Ratio (80/20)	3,878	2,821

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

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

Paul Sheng
FSA

CONSULTING ACTUARY'S REPORT FOR PICC HEALTH INSURANCE COMPANY LIMITED

PICC Health has retained Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch to prepare the consulting actuary's report on matters related to its embedded value as of 30 June 2018. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

1. Scope of Work

Our scope of work is to prepare an embedded value report which covers:

- The methodology of the embedded value and value of half year's new business as of 30 June 2018;
- The assumptions of the embedded value and value of half year's new business as of 30 June 2018;
- The various embedded value results as of 30 June 2018, including the embedded value, value of half year's new business and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- The breakdown of value of half year's new business as of 30 June 2018 by distribution channels.

2. Basis of Preparation, Reliance and Limitation

We carried out our work based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance", which was issued by China Association of Actuaries ("CAA") in November 2016.

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

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Health. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

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

3. Definition and Methodology

3.1 Definition

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

- **Embedded Value ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **Value of In-Force Business ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **Cost of Required Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **Value of Half year's new business ("V1NB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year's new business; and

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

3.2 Methodology

In 2016, the China Risk Oriented Solvency System ("C-ROSS") became effective. Meanwhile, original CIRC terminated the use of "Guidance on Life Insurance Embedded Value Report Preparation" (CIRC [2005] No. 83). China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. We have calculated the embedded value and the value of half year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

The method adopted in this report is the commonly used embedded value approach in the industry. Both value of in-force business and value of half year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

4. Results Summary

In this section we have shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

4.1 Overall Results

Table 4.1.1 Embedded Value of PICC Health as at 30 June 2018 and 31 December 2017 *(Unit: RMB Million)*

	30/6/2018	31/12/2017
Risk Discount Rate	**10.0%**	10.0%
Adjusted Net Worth	**5,944**	5,897
Value of In-Force Business before CoC	**2,474**	2,165
Cost of Required Capital	**(306)**	(231)
Value of In-Force Business after CoC	**2,168**	1,934
Embedded Value	**8,111**	7,831

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

Table 4.1.2 Value of Half year's new business of PICC Health for the 6 months up to 30 June 2018 and 30 June 2017 *(Unit: RMB Million)*

	30/6/2018	30/6/2017
Risk Discount Rate	**10.0%**	10.0%
Value of Half year's new business before CoC	**358**	384
Cost of Required Capital	**(54)**	(100)
Value of Half year's new business after CoC	**304**	284

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

4.2 *Results by Distribution Channels*

The results of the value of half year's new business split by distribution channel are illustrated in this section. The results of the value of half year's new business by distribution channel as of 30 June 2018 and 30 June 2017 are summarized in the table below.

Table 4.2.1 Value of Half year's new business of PICC Health for the 6 months up to 30 June 2018 and 30 June 2017 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	10.0%				
Distribution Channel	**Bancassu-rance**	**Individual insurance agent**	**Group sales**	**Reinsur-ance**	**Total**
Value of Half year's new business after CoC (2018)	20	266	18	–	304
Value of Half year's new business after CoC (2017)	11	259	14	–	284

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

The expense assumptions represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. The business scale has not reached the expected level given the short duration of the business. Therefore, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as of 30 June 2018.

5.1 *Risk Discount Rate*

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

5.2 *Rate of Investment Return*

A 5.25% p.a. investment return assumption has been used.

5.3 Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

5.4 Mortality and Morbidity

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

5.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 36% to 94% of gross premium depending on the lines of business.

5.6 Lapse Rates

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

5.7 Expenses and Commissions

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

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

5.8 Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

6. Sensitivity Tests

The results of sensitivity tests on the value of in-force business and value of half year's new business are illustrated in this section. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 6.1 and 6.2.

Table 6.1 Value of In-Force Business of PICC Health as at 30 June 2018 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	2,474	2,168
Risk Discount Rate at 9%	2,658	2,381
Risk Discount Rate at 11%	2,316	1,984
Rate of investment return increased by 50 bps	2,790	2,506
Rate of investment return decreased by 50 bps	2,159	1,830
Expenses increased by 10%	2,376	2,050
Expenses decreased by 10%	2,583	2,298
Lapse rate increased by 10%	2,451	2,170
Lapse rate decreased by 10%	2,501	2,167
Mortality increased by 10%	2,466	2,157
Mortality reduced by 10%	2,482	2,177
Morbidity increased by 10%	2,420	2,100
Morbidity reduced by 10%	2,528	2,235
Short-term business claim ratio increased by 5%	1,900	1,586
Short-term business claim ratio decreased by 5%	3,096	2,804
Participating Ratio (80/20)	2,469	2,161

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

Table 6.2 Value of Half year's new business for the 6 months up to 30 June 2018 of PICC Health under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	358	304
Risk Discount Rate at 9%	384	337
Risk Discount Rate at 11%	335	275
Rate of investment return increased by 50 bps	403	353
Rate of investment return decreased by 50 bps	314	256
Expenses increased by 10%	312	256
Expenses decreased by 10%	403	351
Lapse rate increased by 10%	351	300
Lapse rate decreased by 10%	365	307
Mortality increased by 10%	357	303
Mortality reduced by 10%	359	305
Morbidity increased by 10%	351	296
Morbidity reduced by 10%	365	313
Short-term business claim ratio increased by 5%	170	114
Short-term business claim ratio decreased by 5%	544	495
Participating Ratio (80/20)	352	297

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

On behalf of Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch

Paul Sheng
FSA

Report on Review of Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2018

Condensed Consolidated Income Statement

For the six months ended 30 June 2018
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Gross written premiums	4	286,162	279,726
Less: premiums ceded to reinsurers	4	(15,459)	(14,900)
Net written premiums	4	270,703	264,826
Change in unearned premium reserves		(23,143)	(24,580)
Net earned premiums		247,560	240,246
Reinsurance commission income		4,703	4,106
Investment income	5	15,703	16,520
Other income	6	1,707	1,433
TOTAL INCOME		269,673	262,305
Life insurance death and other benefits paid		77,326	92,171
Claims incurred		116,399	100,239
Changes in long-term life insurance contract liabilities		(11,023)	(2,569)
Policyholder dividends		1,253	1,479
Claims and policyholders' benefits	7	183,955	191,320
Less: claims and policyholders' benefits ceded to reinsurers	7	(6,161)	(8,312)
Net claims and policyholders' benefits	7	177,794	183,008
Handling charges and commissions		41,897	31,401
Finance costs	8	3,378	2,455
Exchange (gains)/losses		(153)	325
Other operating and administrative expenses	9	33,164	34,454
TOTAL BENEFITS, CLAIMS AND EXPENSES		256,080	251,643
Share of profits and losses of associates and joint ventures		5,812	5,945
Loss on deemed disposal of an associate		–	(798)
PROFIT BEFORE TAX	10	19,405	15,809
Income tax expense	11	(5,057)	(3,018)
PROFIT FOR THE PERIOD		14,348	12,791
Attributable to:			
Equity holders of the Company		10,045	8,815
Non-controlling interests		4,303	3,976
		14,348	12,791
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic (in RMB)	13	0.24	0.21

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
PROFIT FOR THE PERIOD		**14,348**	12,791
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		**(1,975)**	1,617
– Reclassification of losses/(gains) to profit or loss on disposals		**312**	(1,119)
– Impairment losses	5(d)	**750**	401
Income tax effect		**115**	(229)
		(798)	670
Net losses on cash flow hedges		**–**	(3)
Income tax effect		**–**	1
		–	(2)
Share of other comprehensive income/(expense) of associates and joint ventures		**116**	(1,200)
Exchange differences on translating foreign operations		**10**	(121)
NET OTHER COMPREHENSIVE EXPENSE THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(672)**	(653)
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	**301**	247
Income tax effect		**(75)**	(62)
		226	185
Actuarial losses on pension benefit obligation		**(115)**	(279)
Share of other comprehensive income of associates and joint ventures		**15**	18
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**126**	(76)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		**(546)**	(729)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**13,802**	12,062
Attributable to:			
– Equity holders of the Company		**9,529**	8,157
– Non-controlling interests		**4,273**	3,905
		13,802	12,062

Condensed Consolidated Statement of Financial Position

As at 30 June 2018
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Cash and cash equivalents	14	**60,329**	72,819
Debt securities	15	**316,412**	313,261
Equity securities, mutual funds and trust schemes	16	**118,858**	115,013
Insurance receivables, net	17	**69,156**	41,518
Reinsurance assets	18, 26	**28,488**	28,206
Term deposits		**81,582**	70,706
Restricted statutory deposits		**12,311**	11,311
Investments classified as loans and receivables	19	**167,695**	157,715
Investments in associates and joint ventures	20	**101,473**	97,740
Investment properties	21	**13,005**	12,155
Property and equipment	22	**23,743**	24,281
Intangible assets		**1,417**	1,494
Prepaid land premiums		**3,490**	3,649
Deferred tax assets		**12,630**	9,645
Other assets	23	**30,021**	28,393
TOTAL ASSETS		**1,040,610**	987,906
LIABILITIES			
Securities sold under agreements to repurchase		**52,807**	41,226
Payables to reinsurers	24	**17,887**	18,737
Income tax payable		**6,367**	4,462
Due to banks and other financial institutions		**600**	–
Bonds payable	25	**63,864**	49,801
Insurance contract liabilities	26	**578,857**	557,011
Investment contract liabilities for policyholders	27	**43,403**	45,880
Policyholder dividends payable		**4,620**	5,205
Pension benefit obligation		**2,955**	2,899
Deferred tax liabilities		**878**	834
Other liabilities	28	**70,947**	74,970
TOTAL LIABILITIES		**843,185**	801,025
EQUITY			
Issued capital	29	**42,424**	42,424
Reserves		**102,966**	95,109
Equity attributable to equity holders of the Company		**145,390**	137,533
Non-controlling interests		**52,035**	49,348
TOTAL EQUITY		**197,425**	186,881
TOTAL EQUITY AND LIABILITIES		**1,040,610**	987,906

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company															
	Share capital *(note 29)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive (expense)/income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2018 (Audited)	42,424	19,925	159	8,473	1,705	2,625	–	(304)	(52)	11,759	(15,153)	(884)	66,856	137,533	49,348	186,881
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	10,045	10,045	4,303	14,348
Other comprehensive (expense)/income	–	–	(663)	–	–	189	–	66	7	–	–	(115)	–	(516)	(30)	(546)
Total comprehensive (expense)/income	–	–	(663)	–	–	189	–	66	7	–	–	(115)	10,045	9,529	4,273	13,802
Dividends paid to shareholders (note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(1,672)	(1,672)	(1,586)	(3,258)
Balance as at 30 June 2018 (Unaudited)	42,424	19,925	(504)	8,473	1,705	2,814	–	(238)	(45)	11,759	(15,153)	(999)	75,229	145,390	52,035	197,425

	Attributable to equity holders of the Company															
	Share capital *(note 29)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income/(expense) of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2017(Audited)	42,424	19,925	2,353	7,062	1,300	2,417	(7)	661	6	1,410	(15,153)	(652)	64,355	126,101	44,893	170,994
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	8,815	8,815	3,976	12,791
Other comprehensive income/(expense)	–	–	429	–	–	160	(2)	(875)	(91)	–	–	(279)	–	(658)	(71)	(729)
Total comprehensive income/(expense)	–	–	429	–	–	160	(2)	(875)	(91)	–	–	(279)	8,815	8,157	3,905	12,062
Dividends paid to shareholders (note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(1,433)	(1,433)	(1,448)	(2,881)
Balance as at 30 June 2017 (Unaudited)	42,424	19,925	2,782	7,062	1,300	2,577	(9)	(214)	(85)	1,410	(15,153)	(931)	71,737	132,825	47,350	180,175

* This reserve contains both statutory and discretionary surplus reserves.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018
(Amounts in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**(18,745)**	1,647
Income tax paid		**(6,054)**	(5,163)
Net cash used in operating activities		**(24,799)**	(3,516)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		**(1,358)**	(876)
Proceeds from disposals of investment properties, property and equipment, intangible assets and prepaid land premiums		**138**	80
Purchases of investments, associates and joint ventures		**(121,830)**	(143,004)
Proceeds from sale of investments		**105,552**	132,938
Interests received		**14,032**	12,250
Dividends received		**4,239**	3,931
Rentals received		**251**	260
(Increase)/decrease in term deposits, net		**(10,866)**	11,859
Others		**(590)**	147
Net cash (used in)/from investing activities		**(10,432)**	17,585
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in securities sold under agreements to repurchase		**11,581**	1,313
Issue of subordinated debts		**30,000**	–
Proceeds from banks and other financial institutions		**600**	–
Repayment of subordinated debts		**(16,000)**	–
Interests paid		**(1,900)**	(1,532)
Dividends paid		**(1,672)**	–
Net cash from/(used in) financing activities		**22,609**	(219)
Net (decrease)/increase in cash and cash equivalents		**(12,622)**	13,850
Cash and cash equivalents at the beginning of the period		**72,819**	46,729
Effects of exchange rate changes on cash and cash equivalents		**132**	(61)
Cash and cash equivalents at the end of the period		**60,329**	60,518
Analysis of balances of cash and cash equivalents:			
Securities purchased under resale agreements with original maturity of less than three months	14	**22,036**	22,107
Demand deposits, short notice deposits and deposits with banks with original maturity of less than three months	14	**38,293**	38,411
Cash and cash equivalents at end of the period	14	**60,329**	60,518

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1st-13th Floors, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC ("MOF").

The Company is an investment holding company. During the six months ended 30 June 2018, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"), 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 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.

Application of new and amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB 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:

IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 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 IFRS 4.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Except as the described below, the application of these new and amendments to IFRSs 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 IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 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. IFRS 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 IFRS 4.

In September 2016, IFRS 4 was amended to address issues arising from the different effective dates of IFRS 9 and IFRS 17.

The amendment provides entities meeting a criterion for engaging predominantly in insurance activities with the option to continue current IFRS accounting and to defer the application of IFRS 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.

Separately, the amendment provides all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 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. During the year ended 31 December 2017, the Group decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

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

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 supersede IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

IFRS 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 IFRS 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.

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

The Group continues applying IFRS 4 *Insurance Contracts* to its insurance contracts and IFRS 15 to non-insurance contracts. As the Group provides certain services including handling taxes or levies for relevant authorities, managing certain contracts classified as investment contracts, asset management services, implementations of IFRS 15 have impacts on recognition or measurement of income from these services.

The Group has applied IFRS 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 IFRS 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 management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the segment results.

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

Inter-segment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2018:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	169,080	69,503	6,928	–	–	2,132	(83)	247,560
Net reinsurance commission income	5,327	104	(11)	–	–	97	(814)	4,703
Investment income	7,807	6,625	606	251	4,127	221	(3,934)	15,703
Other income	948	387	55	792	1	394	(870)	1,707
TOTAL INCOME – SEGMENT INCOME	183,162	76,619	7,578	1,043	4,128	2,844	(5,701)	269,673
– External income	184,383	76,270	7,559	755	306	400	–	269,673
– Inter-segment income	(1,221)	349	19	288	3,822	2,444	(5,701)	–
Net claims and policyholders' benefits	103,417	67,132	6,037	–	–	1,405	(197)	177,794
Handling charges and commissions	37,592	4,462	343	–	–	–	(500)	41,897
Finance costs	1,094	1,550	243	4	487	–	–	3,378
Exchange gains	(92)	(40)	(1)	(2)	(9)	(9)	–	(153)
Other operating and administrative expenses	27,456	3,660	940	568	385	1,498	(1,343)	33,164
TOTAL BENEFITS, CLAIMS AND EXPENSES	169,467	76,764	7,562	570	863	2,894	(2,040)	256,080
Share of profits and losses of associates and joint ventures	3,864	1,656	6	(2)	371	(6)	(77)	5,812
PROFIT/(LOSS) BEFORE TAX	17,559	1,511	22	471	3,636	(56)	(3,738)	19,405
Income tax (expense)/credit	(4,764)	19	–	(121)	(164)	(3)	(24)	(5,057)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	12,795	1,530	22	350	3,472	(59)	(3,762)	14,348

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2017:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	144,297	82,933	12,595	–	–	390	31	240,246
Net reinsurance commission income	4,305	91	53	–	–	42	(385)	4,106
Investment income	7,002	8,125	985	258	3,608	14	(3,472)	16,520
Other income	796	385	66	707	2	98	(621)	1,433
TOTAL INCOME – SEGMENT INCOME	156,400	91,534	13,699	965	3,610	544	(4,447)	262,305
– External income	156,338	91,347	13,688	683	207	42	–	262,305
– Inter-segment income	62	187	11	282	3,403	502	(4,447)	–
Net claims and policyholders' benefits	87,886	82,849	12,199	–	–	138	(64)	183,008
Handling charges and commissions	25,738	5,613	434	–	–	–	(384)	31,401
Finance costs	966	783	264	2	440	–	–	2,455
Exchange losses	202	78	4	1	39	1	–	325
Other operating and administrative expenses	29,355	3,632	786	529	355	524	(727)	34,454
TOTAL BENEFITS, CLAIMS AND EXPENSES	144,147	92,955	13,687	532	834	663	(1,175)	251,643
Share of profits and losses of associates and joint ventures	3,876	1,669	–	1	340	–	59	5,945
Loss on deemed disposal of an associate	(366)	(388)	–	–	(44)	–	–	(798)
PROFIT/(LOSS) BEFORE TAX	15,763	(140)	12	434	3,072	(119)	(3,213)	15,809
Income tax (expense)/credit	(3,094)	166	–	(105)	78	–	(63)	(3,018)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	12,669	26	12	329	3,150	(119)	(3,276)	12,791

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
30 June 2018 (Unaudited)								
Segment assets	**572,866**	**398,449**	**36,275**	**10,358**	**113,235**	**14,081**	**(104,654)**	**1,040,610**
Segment liabilities	**426,875**	**365,991**	**30,673**	**2,055**	**22,736**	**6,325**	**(11,470)**	**843,185**
31 December 2017 (Audited)								
Segment assets	530,450	381,802	43,096	10,293	109,569	11,382	(98,686)	987,906
Segment liabilities	392,477	350,242	37,463	2,205	20,587	3,541	(5,490)	801,025

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2017: 0.85%, 5.91%, and 6.14%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

4. GROSS AND NET WRITTEN PREMIUMS

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Gross written premiums		
Long-term life insurance premiums	**70,119**	90,780
Short-term health insurance premiums	**10,355**	9,090
Non-life insurance premiums	**205,688**	179,856
Total	**286,162**	279,726
Premiums ceded to reinsurers		
Long-term life insurance premiums	**(266)**	(441)
Short-term health insurance premiums	**(443)**	(861)
Non-life insurance premiums	**(14,750)**	(13,598)
Total	**(15,459)**	(14,900)
Net written premiums	**270,703**	264,826

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Dividend, interest and rental income (a)	16,868	15,538
Realised gains (b)	72	1,194
Fair value (losses)/gains (c)	(487)	189
Impairment losses (d)	(750)	(401)
Total	15,703	16,520

(a) Dividend, interest and rental income

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	1,763	1,582
– At fair value through profit or loss	118	247
SUBTOTAL	1,881	1,829
Interest income		
Current and term deposits	2,312	2,722
Debt securities		
– Held-to-maturity	2,948	2,894
– Available-for-sale	4,091	2,524
– At fair value through profit or loss	155	44
Derivative financial assets	–	3
Loans and receivables	5,230	5,262
SUBTOTAL	14,736	13,449
Operating lease income from investment properties	251	260
TOTAL	16,868	15,538

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(b) Realised gains

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Debt securities		
– Available-for-sale	(26)	29
– At fair value through profit or loss	10	4
Equity securities, mutual funds and trust schemes		
– Available-for-sale	18	1,062
– At fair value through profit or loss	70	99
TOTAL	72	1,194

(c) Fair value (losses)/gains

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Debt securities		
– At fair value through profit or loss	–	(38)
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	(476)	296
Investment properties *(note 21)*	(11)	(69)
TOTAL	(487)	189

(d) Impairment losses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Equity securities, mutual funds and trust schemes		
– Available-for-sale	(750)	(401)

(Amounts in millions of Renminbi, unless otherwise stated)

6. OTHER INCOME

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities	538	382
Government grants	149	135
Management fee charged to policyholders	141	204
Disposal gains from property and equipment *(note 22)*	29	36
Others	850	676
TOTAL	1,707	1,433

7. CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2018		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	77,326	331	76,995
Claims incurred	116,399	5,827	110,572
– Short-term health insurance	6,156	208	5,948
– Non-life insurance	110,243	5,619	104,624
Changes in long-term life insurance contract liabilities	(11,023)	3	(11,026)
Policyholder dividends	1,253	–	1,253
TOTAL	183,955	6,161	177,794

	Six months ended 30 June 2017		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	92,171	9	92,162
Claims incurred	100,239	8,293	91,946
– Short-term health insurance	4,823	837	3,986
– Non-life insurance	95,416	7,456	87,960
Changes in long-term life insurance contract liabilities	(2,569)	10	(2,579)
Policyholder dividends	1,479	–	1,479
TOTAL	191,320	8,312	183,008

(Amounts in millions of Renminbi, unless otherwise stated)

8. FINANCE COSTS

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Interest expenses		
Bonds payable	1,428	1,218
Securities sold under agreements to repurchase	918	665
Interest credited to policyholders *(note 27)*	842	440
Pension benefit obligation unwound	56	42
Others	134	90
TOTAL	3,378	2,455

9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Employee costs	16,923	15,818
Contributions to China Insurance Security Fund *(note)*	1,995	1,503
Depreciation and amortisation	1,258	940
Taxes and surcharges	1,129	1,128
Impairment losses *(note 10)*	145	351
Others	11,714	14,714
TOTAL	33,164	34,454

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders in the case when an insurance company in China was in financial troubles.

(Amounts in millions of Renminbi, unless otherwise stated)

10. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Employee costs *(note)*	**19,791**	18,938
Depreciation of property and equipment *(note)*	**1,042**	922
Impairment losses recognised on insurance receivables *(note 17)*	**135**	320
Impairment losses recognised on prepaid land premiums	**–**	8
Impairment losses recognised on other assets	**10**	23
Minimum lease payments under operating leases in respect of land and buildings	**470**	570
Amortisation of intangible assets and prepaid land premiums *(note)*	**232**	171

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

11. INCOME TAX EXPENSE

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Current income tax		
– Charge for the period	**7,953**	7,811
– Adjustments in respect of current tax of previous periods	**5**	(12)
Deferred income tax	**(2,901)**	(4,781)
TOTAL	**5,057**	3,018

In accordance with the relevant PRC enterprise income tax rules and regulations, the Company and the Company's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (six months ended 30 June 2017: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong") and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), subsidiaries incorporated in Hong Kong, were subject to a profits tax rate of 16.5% for six months ended 30 June 2017. Since 1 January 2018, PICC Hong Kong was nominated to adopt a profits tax rate of 8.25% for the first HKD2 million of its assessable profits and a profits tax rate of 16.5% for the remaining assessable profits. PICC AMHK was still subject to a profits tax rate of 16.5% during the current period.

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIVIDENDS

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Final dividends recognised as distribution during the period:		
Year 2016 Final – RMB 3.37881 cent per share	**–**	1,433
Year 2017 Final – RMB 3.94 cent per share	**1,672**	–

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2018.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2018 and the six months ended 30 June 2017 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Profit attributable to equity holders of the Company for the period	**10,045**	8,815
Number of ordinary shares (in million shares)	**42,424**	42,424
Basic earnings per share (in RMB)	**0.24**	0.21

No diluted earnings per share has been presented for the six months ended 30 June 2018 and 2017 as the Group had no potential ordinary shares in issue during the periods.

14. CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Money at call and short notice	**27,742**	26,771
Deposits with banks with original maturity of less than three months	**10,551**	2,757
Securities purchased under resale agreements with original maturity of less than three months	**22,036**	43,291
TOTAL	**60,329**	72,819

(Amounts in millions of Renminbi, unless otherwise stated)

15. DEBT SECURITIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Classification of debt securities		
At fair value through profit or loss	6,269	7,574
Available-for-sale, at fair value	181,254	183,210
Held-to-maturity, at amortised cost	128,889	122,477
Total debt securities	316,412	313,261

16. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Investments, at fair value		
Mutual funds	62,736	54,044
Shares	44,491	27,036
Equity schemes and others	11,324	26,903
Subtotal	118,551	107,983
Investments, at cost less impairment		
Shares	107	107
Total equity securities and mutual funds	118,658	108,090
Trust scheme, at fair value	200	6,923
Total equity securities, mutual funds and trust schemes	118,858	115,013

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2017, the Group is the sole funding provider of a trust scheme of carrying value of RMB6,723 million. Up to 30 June 2018, the Group have fully recovered such trust scheme.

(Amounts in millions of Renminbi, unless otherwise stated)

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Classification of equity securities and mutual funds		
At fair value through profit or loss	**11,216**	16,183
Available-for-sale, at fair value	**107,335**	91,800
Available-for-sale, at cost less impairment	**107**	107
Total equity securities and mutual funds	**118,658**	108,090
Classification of trust scheme		
Available-for-sale, at fair value	**200**	6,923
Total equity securities, mutual funds and trust schemes	**118,858**	115,013

For the six months ended 30 June 2018, an impairment loss of RMB750 million was provided by the Group on equity securities, mutual funds and trust schemes (six months ended 30 June 2017: RMB401 million).

17. INSURANCE RECEIVABLES, NET

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Premiums receivable and agents' balances	**56,817**	22,848
Receivables from reinsurers	**16,072**	22,272
Subtotal	**72,889**	45,120
Less: impairment provision on		
– Premiums receivable and agents' balances	**(3,489)**	(3,343)
– Receivables from reinsurers	**(244)**	(259)
TOTAL	**69,156**	41,518

(Amounts in millions of Renminbi, unless otherwise stated)

17. INSURANCE RECEIVABLES, NET *(continued)*

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
At the beginning of the period	**3,602**	3,218
Impairment losses recognised *(note 10)*	**135**	320
Amount written off as uncollectible	**(4)**	(3)
At the end of the period	**3,733**	3,535

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Not yet due and within 3 months	**55,402**	30,382
3 to 6 months	**9,050**	4,288
6 to 12 months	**2,407**	5,652
1 to 2 years	**1,841**	1,033
Over 2 years	**456**	163
TOTAL	**69,156**	41,518

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

(Amounts in millions of Renminbi, unless otherwise stated)

18. REINSURANCE ASSETS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Reinsurers' share of		
Unearned premium reserves	10,425	8,721
Claim reserves	17,911	19,336
Long-term life insurance reserves	152	149
TOTAL	28,488	28,206

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. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Long-term debt investment schemes	148,385	140,830
Asset management products	16,810	14,385
Reinsurance arrangement classified as investment contract	2,000	2,000
Subordinated debts held	500	500
TOTAL	167,695	157,715

The interest rates of these long-term debt investment schemes are 3.50%-8.00% (31 December 2017: 3.50%-8.00%) per annum as at the end of 30 June 2018.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in active market. These financial products include securitised assets, asset management products offered by securities companies and asset management companies. The interest rates of these products are 4.75%-6.30% (31 December 2017: 3.50%-6.60%) per annum as at 30 June 2018.

Included in the balance of reinsurance arrangement classified as an investment contract was an amount paid under a reinsurance arrangement which did not transfer significant insurance risk. This arrangement offered a fixed interest rate of 6.35% (31 December 2017: 6.35%) per annum. Both the Group and the reinsurer have a right to terminate the arrangement at the end of or subsequent to the fifth anniversary of the effective date of the reinsurance contract.

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

(Amounts in millions of Renminbi, unless otherwise stated)

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Associates		
Cost of investment in associates	66,897	66,756
Share of post – acquisition profits and other comprehensive income	31,484	28,094
Subtotal	98,381	94,850
Joint ventures		
Cost of investment in joint ventures	3,086	2,890
Share of post – acquisition profits and other comprehensive income	6	–
Subtotal	3,092	2,890
TOTAL	101,473	97,740

Included in the carrying amount of investments in associates as at 30 June 2018 was an aggregate amount of RMB88,123 million (31 December 2017: RMB84,958 million) in respect of listed entities and their corresponding fair values amounted to RMB60,664 million (31 December 2017: RMB71,963 million) on the same date. As at 30 June 2018, the carrying amount of certain investments in associates 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 (31 December 2017: none).

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2018, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2017 to 31 March 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Beginning of the period	**12,155**	10,695
Additions	**–**	32
Transfer from property and equipment	**982**	492
Transfer from prepaid land premiums	**75**	9
Gains on revaluation of properties upon transfer from property and equipment	**240**	227
Gains on revaluation of properties upon transfer from prepaid land premiums	**61**	20
Decrease in fair value of investment properties *(note 5(c))*	**(11)**	(69)
Transfer to property and equipment	**(471)**	(214)
Disposals	**(26)**	(3)
End of the period	**13,005**	11,189

The Group's investment properties were revalued as at the end of the reporting period. Valuations were carried out by the following two approaches:

(1) The income approach determines 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 capitalization rate; or

(2) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to their professional judgement.

(Amounts in millions of Renminbi, unless otherwise stated)

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of RMB1,084 million (six months ended 30 June 2017: RMB689 million).

Assets with a net book value of RMB70 million were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB35 million), resulting in a net disposal gain of RMB29 million (six months ended 30 June 2017: RMB36 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: RMB63 million) was transferred to buildings.

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

23. OTHER ASSETS

Carrying values of other assets are as follows:

	Note	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
Interest receivables		**10,910**	10,206
Policy loans	(a)	**3,091**	2,680
Other receivables		**1,857**	4,973
Dividends receivables		**274**	84
Others		**15,549**	12,098
TOTAL		**31,681**	30,041
Less: Impairment provision on other assets		**(1,660)**	(1,648)
Net value		**30,021**	28,393

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rate at 5.22%-6.45% (31 December 2017: 5.22%-6.45%) per annum as at 30 June 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Reinsurance payables	17,887	18,737

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

25. BONDS PAYABLE

As at 30 June 2018, bonds payable comprised of subordinated debts and capital supplementary bonds.

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Subordinated debts		
Carrying amount repayable		
– Within one year	812	817
– More than two years, but not exceeding five years	6,256	22,218
– More than five years	8,255	8,213
Subtotal	15,323	31,248
Capital supplementary bonds		
Carrying amount repayable		
– More than five years	48,541	18,553
TOTAL	63,864	49,801

As of May and June 2018, the Group had issued two capital supplementary bonds of RMB12,000 million and RMB18,000 million respectively. The Group redeemed a subordinated debt of RMB16,000 million in June 2018.

Original terms of these subordinated debts and capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the subordinated debts and the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's subordinated debts are 4.38%-6.19% in the first five years (2017: 4.38%-6.19%) and 6.88%-8.19% in the second five years (2017: 6.88%-8.19%). The interest rates of the Group's capital supplementary bonds are 3.65%-5.05% in the first five years (2017: 3.65%-4.95%) and 4.65%-6.05% in the second five years (2017: 4.65%-5.95%).

(Amounts in millions of Renminbi, unless otherwise stated)

26. INSURANCE CONTRACT LIABILITIES

(Unaudited)	**30 June 2018** Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	**274,478**	**152**	**274,326**
Short-term health insurance contracts			
– Claim reserves	**5,500**	**468**	**5,032**
– Unearned premium reserves	**5,048**	**313**	**4,735**
Non-life insurance contracts			
– Claim reserves	**146,065**	**17,443**	**128,622**
– Unearned premium reserves	**147,766**	**10,112**	**137,654**
Total insurance contract liabilities	**578,857**	**28,488**	**550,369**

(Audited)	31 December 2017 Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	285,501	149	285,352
Short-term health insurance contracts			
– Claim reserves	4,563	511	4,052
– Unearned premium reserves	1,637	164	1,473
Non-life insurance contracts			
– Claim reserves	138,980	18,825	120,155
– Unearned premium reserves	126,330	8,557	117,773
Total insurance contract liabilities	557,011	28,206	528,805

When measuring the insurance contract liabilities, the Group determines actuarial assumptions such as discount rates, mortality rates, morbidity rates, disability rates, lapse rates, expense assumptions and policy dividend assumptions based on information currently available as at the period end date.

As at 30 June 2018, the Group used information currently available to determine the above assumptions and, also refined the discount rate assumptions for insurance contracts under which future insurance benefits are not affected by investment income of the underlying asset portfolio in accordance with the regulatory requirements issued by the former China Insurance Regulatory Commission in March 2017, and the impact of change in assumptions was charged to profit or loss. The changes of these assumptions in aggregate increased long-term life insurance contract liabilities by RMB128 million for the six months ended 30 June 2018 (six months ended 30 June 2017: increased by RMB1,751 million) and decreased profit before tax by RMB128 million for the six months ended 30 June 2018 (six months ended 30 June 2017: decreased by RMB1,751 million).

(Amounts in millions of Renminbi, unless otherwise stated)

27. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest-bearing deposits	41,645	44,183
Non-interest-bearing deposits	1,758	1,697
TOTAL	43,403	45,880

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Beginning of the period	45,880	38,370
Deposits received after deducting fees	3,988	13,896
Deposits withdrawn	(7,307)	(8,209)
Interest credited *(note 8)*	842	440
End of the period	43,403	44,497

28. OTHER LIABILITIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Premiums received in advance	16,999	21,037
Salaries and welfare payable	13,001	13,287
Claims payable	10,695	12,199
Handling charges and commission payable	8,728	8,098
Net value added tax and other taxes payable	6,372	6,718
Dividend payable	1,600	–
Interests payable	1,225	708
Insurance security fund	994	966
Others	11,333	11,957
TOTAL	70,947	74,970

Premiums received in advance represent amounts collected from policies not yet effective as at the 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.

(Amounts in millions of Renminbi, unless otherwise stated)

29. SHARE CAPITAL

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Issued and fully paid ordinary shares of RMB 1 each (in million shares)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424
Share capital (in RMB million)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424

30. FAIR VALUE AND FAIR VALUE HIERARCHY

Classification of financial instruments

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and trust schemes, investments classified as loans and receivables, securities sold under agreement 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 investment contract liabilities for policyholders, etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

(Amounts in millions of Renminbi, unless otherwise stated)

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

Classification of financial instruments *(continued)*

	Carrying amount		Fair value	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Financial Assets				
Cash and cash equivalents	60,329	72,819	60,329	72,819
At fair value through profit or loss				
– Equity securities, mutual funds and trust schemes	11,216	16,183	11,216	16,183
– Debt securities	6,269	7,574	6,269	7,574
Available-for-sale				
– Equity securities, mutual funds and trust schemes	107,535	98,723	107,535	98,723
– Debt securities	181,254	183,210	181,254	183,210
Held-to-maturity investment				
– Debt securities	128,889	122,477	130,413	120,388
Loans and receivables				
– Insurance receivables, net	69,156	41,518	69,156	41,518
– Term deposits	81,582	70,706	81,582	70,706
– Restricted statutory deposits	12,311	11,311	12,311	11,311
– Investments classified as loans and receivables	167,695	157,715	170,029	159,799
– Other assets	22,271	23,918	22,271	23,918
Total financial assets	848,507	806,154	852,365	806,149
Financial liabilities				
Other financial liabilities				
– measured at amortised cost				
– Securities sold under agreements to repurchase	52,807	41,226	52,807	41,226
– Payables to reinsurers	17,887	18,737	17,887	18,737
– Bonds payable	63,864	49,801	64,868	49,404
– Due to banks and other financial institutions	600	–	600	–
– Investment contract liabilities for policyholders	43,403	45,880	43,403	45,880
– Policyholder dividends payable	4,620	5,205	4,620	5,205
– Other liabilities	50,973	47,211	50,973	47,211
Total financial liabilities	234,154	208,060	235,158	207,663

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

Determination of fair value and the fair value hierarchy

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

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

Items	Fair value 30 June 2018 (Unaudited)	Fair value 31 December 2017 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss debt securities	807	6,085	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	5,462	1,489	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	15,768	11,314	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	165,486	171,896	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.
At fair value through profit or loss equity securities and mutual funds	11,216	16,183	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	75,420	62,128	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	14,178	14,374	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	–	1,152	Level 3	Quoted bid prices adjusted by a liquidity discount determined by the Black-Scholes option pricing model. The key input is historical volatility of the share prices of the securities.
Available-for-sale equity securities and mutual funds	11,081	7,179	Level 3	The fair value is determined with reference to the quoted market price and latest round of financing price.
Available-for-sale equity securities and mutual funds	3,194	3,481	Level 3	Relative value that are assessed based on average pricing-to-earnings ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities, mutual funds and trust schemes	3,662	10,409	Level 3	Fair value of the investments is based on the use of internal valuation models.

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

During the six months ended 30 June 2018, the Group transferred debt securities with a carrying amount of RMB6,085 million (six months ended 30 June 2017: RMB3,590 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB3,297 million (six months ended 30 June 2017: RMB1,186 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

During the six months ended 30 June 2018 and the six months ended 30 June 2017, the Group did not have any assets transferred between fair value hierarchy Level 2 and Level 3.

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

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The level of fair value in the fair value hierarchy in respect of these fair values disclosed are as the following:

	Fair value hierarchy as at 30 June 2018		
(Unaudited)	**Level 1**	**Level 2**	**Total**
Financial assets			
Held-to-maturity financial assets	**2,488**	**127,925**	**130,413**
Investments classified as loans and receivables	**–**	**170,029**	**170,029**
Financial liabilities			
Bonds payable	**–**	**64,868**	**64,868**

	Fair value hierarchy as at 31 December 2017		
(Audited)	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	2,044	118,344	120,388
Investments classified as loans and receivables	–	159,799	159,799
Financial liabilities			
Bonds payable	–	49,404	49,404

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Unlisted available-for-sale financial assets		
Opening balance	**22,221**	23,361
Unrealised gains recognised in other comprehensive income	**2,013**	427
Transfer from Level 3 to equity accounting *(note 1)*	**–**	(3,554)
Transfer from Level 3 to Level 1 *(note 2)*	**(1,152)**	–
Additions	**1,578**	1,117
Disposals	**(6,723)**	(16)
Closing balance	**17,937**	21,335

Note 1: During the six months ended 30 June 2017, a financial asset of RMB3,554 million was transferred from equity investments to investment in an associate when the Group was able to appoint a director.

Note 2: 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.

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements are presented in note 21 to these condensed consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

31. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

(b) Capital commitments and operating leases

(1) Capital commitments

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	2,043	2,228

(2) Operating leases

(i) As lessor

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

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within one year	468	298
In the second to fifth years, inclusive	788	427
After five years	147	101
TOTAL	1,403	826

(Amounts in millions of Renminbi, unless otherwise stated)

31. CONTINGENCIES AND COMMITMENTS *(continued)*

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

(2) Operating leases (continued)

(ii) As lessee

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

Future minimum lease payments under non-cancellable operating leases as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within one year	**487**	587
In the second to fifth years, inclusive	**1,499**	1,799
After five years	**298**	417
TOTAL	**2,284**	2,803

(Amounts in millions of Renminbi, unless otherwise stated)

32. RELATED PARTY DISCLOSURES

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

(b) During the six months ended 30 June 2018 and 30 June 2017, the Group had the following significant related party transactions:

Transactions with associates	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Industrial Bank		
Gross written premiums	134	209
Investment income	288	331
Claims and policyholders' benefits	210	249
Handling charges and commissions	17	7
Finance costs	128	66
Dividend received – from common shares	1,741	1,634
Dividend received – from preference shares	38	26
Hua Xia Bank Co., Limited ("Hua Xia Bank")		
Gross written premiums	115	128
Investment income	192	215
Claims and policyholders' benefits	139	99
Handling charges and commissions	1	–
Finance costs	3	3
Dividend received – from common shares	387	–
Other associates		
Gross written premiums	24	–
Investment income	57	–
Other income	9	–
Claims and policyholders' benefits	10	–
Other operating and administrative expenses	2	–
Dividend received – from common shares	102	–

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

(Amounts in millions of Renminbi, unless otherwise stated)

32. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from associates	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Industrial Bank		
Cash and cash equivalents	**2,043**	997
Debt securities	**2,916**	2,915
Equity securities, mutual funds and trust schemes	**681**	882
Term deposits	**11,358**	9,375
Restricted statutory deposits	**1,186**	1,186
Other assets	**400**	530
Hua Xia Bank		
Cash and cash equivalents	**62**	166
Debt securities	**–**	1,000
Term deposits	**6,550**	6,508
Restricted statutory deposits	**100**	100
Other assets	**312**	1,171
Other associates		
Debt securities	**2,375**	2,191
Equity securities, mutual funds and trust schemes	**–**	6,723
Other assets	**281**	86
TOTAL	**28,264**	33,830

Payables to associates	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Industrial Bank		
Bonds payable	**823**	2,422
Other liabilities	**14**	51
Hua Xia Bank		
Bonds payable	**102**	102
Other liabilities	**6**	2
Other associates		
Other liabilities	**3**	2
TOTAL	**948**	2,579

32. RELATED PARTY DISCLOSURES *(continued)*

(d) Key management personnel

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

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

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

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

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

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

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

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

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of 30 June 2018, save for Mr. Wang Dajun, the Supervisor of the Company, who held 50,000 H shares of the Company, no other Directors, Supervisors and senior management of the Company held any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and Hong Kong Stock Exchange.

CHANGE IN THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

As of the date of this report [(Note)], the changes in the Directors of the Company were as follows:

On 19 April 2018, the Company held the second extraordinary general meeting of 2018 and elected the Directors to serve the third session of the board of directors (the "Board") of the Company. There are 13 Directors to serve the third session of the Board of the Company, including 3 Executive Directors: Mr. Miao Jianmin, Mr. Xie Yiqun and Mr. Tang Zhigang; 5 Non-executive Directors: Mr. Wang Qingjian, Mr. Xiao Xuefeng, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin; 5 Independent Non-executive Directors: Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao. The term of the office of director is three years. On 19 April 2018, the third session of the Board of the Company held the first meeting for the purpose of electing Mr. Miao Jianmin as the Chairman of the third session of the Board.

On 19 July 2018, the fifth meeting of the third session of the Board of the Company was held for the purpose of nominating Mr. Bai Tao as an Executive Director of the third session of the Board of the Company and electing Mr. Bai Tao as the Vice Chairman of the third session of the Board of the Company. Mr. Bai Tao's term of office shall commence on the day of approval by the general meeting and obtaining the approval of qualification for serving as a Director from the CBIRC.

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

Mr. Miao Jianmin *(Chairman of the Board and Executive Director)*
Mr. Xie Yiqun *(Executive Director)*
Mr. Tang Zhigang *(Executive Director)*
Mr. Wang Qingjian *(Non-executive Director)*
Mr. Xiao Xuefeng *(Non-executive Director)*
Ms. Hua Rixin *(Non-executive Director)*
Ms. Cheng Yuqin *(Non-executive Director)*
Mr. Wang Zhibin *(Non-executive Director)*
Mr. Shiu Sin Por *(Independent Non-executive Director)*
Mr. Ko Wing Man *(Independent Non-executive Director)*
Mr. Luk Kin Yu, Peter *(Independent Non-executive Director)*
Mr. Lin Yixiang *(Independent Non-executive Director)*
Mr. Chen Wuzhao *(Independent Non-executive Director)*

As of the date of this report, the changes in the Supervisors of the Company were as follows:

On 19 April 2018, the Company held the second extraordinary general meeting of 2018 and conducted the general election of the board of supervisors of the Company. The shareholder representative supervisor and independent supervisor to serve the third session of the board of supervisors of the Company were elected at the meeting, and formed the third session of the board of supervisors of the Company together with two employee representative supervisors elected by the employee representative meeting of the Company on 26 February 2018. There are 5 Supervisors to serve the third session of the board of supervisors of the Company, including 2 shareholder representative Supervisors: Mr. Lin Fan and Mr. Xu Yongxian; 1 independent Supervisor: Mr. Jing Xin; 2 employee representative Supervisors: Mr. Wang Dajun and Mr. Ji Haibo. The term of office of the supervisor is three years. On 19 April 2018, the first meeting of the third session of the board of supervisors of the Company was held for the purpose of nominating Mr. Lin Fan as the Chairman of the Board of Supervisors of the third session of the board of supervisors of the Company.

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

Mr. Lin Fan *(Chairman of the Board of Supervisors)*
Mr. Xu Yongxian *(Shareholder representative Supervisor)*
Mr. Jing Xin *(Independent Supervisor)*
Mr. Wang Dajun *(Employee representative Supervisor)*
Mr. Ji Haibo *(Employee representative Supervisor)*

Note: As at the date of approval of the interim report by the Board of Directors on August 24, 2018, the same as follows.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

There were no changes in the information of the Directors and Supervisors of the Company that needs to be disclosed under Rule 13.51B (1) of the Listing Rules from 1 January 2018 to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries during the first half of 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on the purchase and sale of the Company's securities that apply to Directors, Supervisors and all employees, and the terms of the guidelines are not less exacting than the Model Code. Following enquiries made by the Company, all the Directors and Supervisors confirmed that they have complied with the standards set out in the Model Code and the aforementioned guidelines during the first half of 2018.

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

As far as the Directors of the Company are aware, as at 30 June 2018, the following persons (other than the Directors, Supervisors of the Company and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the SFO, or is required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

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

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total issued H shares *(Note 5)*	Percentage of total issued shares *(Note 4)*
American International Group, Inc.	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
NSSF *(Note 1)*	Beneficial owner	524,441,000	Long position	6.01%	1.24%
BlackRock, Inc. (“BlackRock”) *(Note 2)*	Interest of controlled corporation	490,982,727	Long position	5.63%	1.16%

Notes:

1. NSSF, as the beneficial owner, holds 524,279,000 H shares. In addition, NSSF holds 162,000 H shares via the asset manager and his nominee. Accordingly, NSSF is deemed to be interested in the aforementioned H shares.

2. BlackRock is deemed to be interested in 490,982,727 H shares through its controlled entities, namely, BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Limited, BlackRock Institutional Trust Company, National Association, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock Asset Management North Asia Limited, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock International Limited., BlackRock Japan Co., Ltd..

3. As at 30 June 2018, the total issued domestic shares of the Company was 33,697,756,583 shares.

4. As at 30 June 2018, the total issued shares of the Company was 42,423,990,583 shares.

5. As at 30 June 2018, the total issued H shares of the Company was 8,726,234,000 shares.

Save as disclosed above, as of 30 June 2018, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the SFO.

CORPORATE GOVERNANCE

As stated in the "Corporate Governance Report" of the 2017 Annual Report, in the first half of 2018, save for not in compliance with the requirement of "Each Director shall retire from office by rotation at least once every three years" specified in A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, adopted recommended best practices under appropriate circumstances.

In order to comply with the requirement of A.4.2 of the Corporate Governance Code, the Company held an extraordinary general meeting on 19 April 2018, and elected the third session of the Board of the Company. For details, please refer to "CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS". As of 30 June 2018, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIVIDEND

The Company does not declare any interim dividend for the first half of 2018.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has, in the presence of the external auditor, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

Corporate Information

REGISTERED NAME

Chinese name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

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

Abbreviation of English name: PICC Group

OFFICE

1st-13th Floors,
No. 88 West Chang'an Avenue,
Xi Cheng District, Beijing 100031, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

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

WEBSITE

http://www.picc.com

LEGAL REPRESENTATIVE

Miao Jianmin

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

INFORMATION INQUIRY DEPARTMENT

Board of Directors' Office/Investor Relations Department
tel: (8610) 6900 9192
fax: (8610) 6900 8264
email: ir_group@picc.com.cn

AUDITORS

International Auditors:
Deloitte Touche Tohmatsu

Domestic Auditors:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch

LEGAL ADVISORS

as to Hong Kong law
Davis Polk & Wardwell

as to PRC law
King & Wood Mallesons

中国人民保险集团股份有限公司

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